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# USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 2, February 1985

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28 May 1985

## USSR REPORT

### WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 2, February 1985

Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

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## ENGLISH SUMMARIES OF MAJOR ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2,  
Feb 85 (signed to press 16 Jan 85) pp 158-159

[Text] International Scientific Conference of Socialist Countries.

There exists no more important and urgent problem than ensurance of lasting peace, security of peoples, limitation of armaments and disarmament notes. P. Fedoseyev in his article "Present-Day Anti-War Movement and Perspectives for Its Development". The collision of the two world systems penetrates the entire sphere of international relations which are undergoing large-scale qualitative transformations thanks to the international positions of socialism. The imperialist circles have entered upon the road of fierce struggle against socialism and other forces of the revolutionary process. They pivot their policy on militarism, armaments race, policy of strength and mass annihilation weapons as the principal means for countering the revolutionary process in the world. The continued military confrontation of the two systems leads to the threat of thermonuclear holocaust with all ensuing consequences for humanity. The halting of such confrontation and the imparting of new incentives to detente is the only way for the peaceful coexistence of states with different social orders and the solution of global problems. The article points out that the merging of the class struggle with the anti-war movement and the intertwining of the trade union's fight for the worker's social and economic interests with actions for peace are now the main trends in the growing anti-war movement, which is capable of influencing the present stand of the ruling circles of the West on all issues of international security and disarmament. The author dwells on the role of the largest and most organized class--the world international working class--which determines the main trend of world social development. The article pays attention to the role of the scientists who are called upon to devote their knowledge, experience and prestige to promoting the struggle waged by the peoples to save the world from nuclear destruction, to reverse the arms build-up, to put a stop to that build-up and to ensure consistent disarmament up to and including general and complete disarmament. Collective reason and united will of all mankind can and must halt the dangerous escalation of the nuclear war threat.

Yu. Denisov in the article "World Importance of Soviet-Finnish Cooperation" says that the rich experience of the post-war Soviet-Finnish relations is convincing proof that peaceful coexistence and the basic principles of interstate relations which were elaborated and laid down ten years ago in the

Final Act of the Helsinki Conference can and must become the permanent norm of behavior between the states. Friendship, mutual trust and productive cooperation have become the hallmarks of Soviet-Finnish relations. They have been and remain unsusceptible to changes in the world political climate. Soviet-Finnish relations attract the close attention of different states and broad world masses. The forty years old Soviet-Finnish good neighborliness has successfully passed all trials of time and practice in international relations at all stages of their development in the post-war decades thanks to the purposeful efforts of the Soviet and Finnish peoples and their state leaders, to the policy pursued by them. It is not based on ad hoc decisions but on long-term, principled factors, correctly and profoundly realized national interests, consideration for the needs and reality of international life. The Soviet Finnish partnership is reliably guaranteed by the 1948 Treaty of Friendship, Cooperation and Mutual Assistance which was recently prolonged anew. Soviet-Finnish cooperation meets the two countries' vital interests, is instrumental to their economic progress and represents an important contribution to a new type of international economic relations of states with different social systems. This cooperation indicates a fruitful road for the realization of the economic principles of the Helsinki Final Act. The two countries jointly come out for the curbing of the arms race, prevention of nuclear war, continuation of the European process for lowering the level of nuclear confrontation in Europe for a return of interstate relations to the channel of detente and the creation of an atmosphere of trust and constructive cooperation.

The reinforcement of peace has always been and remains the principle underlying Soviet-Finnish cooperation. There is no doubt that in the future the course towards strengthening friendship, a course which has been adopted and supported by the peoples of our two countries, and the good neighborly relations and cooperation which exist between the USSR and Finland will actively serve the cause of improving the international situation.

V. Vasil'yev in the article "New Industrializing Countries in International Capitalist Division of Labor" considers the place and functioning of a group of developing countries and territories which has attained a rather high level of development in manufacturing industry. The author notes that a comparatively small group of above mentioned countries and territories has appeared in the world market as sound exporters of manufactured goods. Due to specific historical peculiarities certain prerequisites for the realization of an industrialization program have taken shape there. But of decisive importance are external factors and primarily the inclusion through trade of the developing states in the process of reproduction in the industrially developed capitalist countries. As a result the development of the manufacturing industry of the new industrializing states to a greater degree depends upon the economic structural changes in the industrial capitalist countries. Strongest in this respect has been the impact of the American market both in exports and imports. According to the character of interaction with the reproduction process the new industrializing states can be divided into two groups: countries with a clearly expressed orientation of production and countries with a broad internal market. These very peculiarities determine "the comparative advantages" of the new industrializing countries. On the whole deep and sharp contradictions are

inherent in the expansion of economic ties between the industrially developed capitalist countries and the new industrializing ones. These contradictions continue to exist even when technologically more complicated industries are transferred to the developing countries and territories.

New economic and technological realities of the contemporary capitalist market have brought to the fore the urgent need to adjust to these new developments, to restructure national economies in order to meet the requirements of today's competition. These processes take especially acute forms in small Scandinavian countries, which are more exposed to the rigors of competition in world markets due to their relatively higher degree of specialization. O. Kazakova in the article "Structural Problems of Scandinavian Economy" focuses on the economies of Sweden, Denmark and Norway, describing the critical situation in these countries and tracing the main causes of the current crisis. Among the causes under study the progressive deterioration of international competitiveness plays the central role. The author criticizes those Scandinavian economists who reduce the international competitiveness problem to the comparatively higher costs of production, labor costs in particular, thus appealing to the austerity measures at the expense of the working class. Scandinavian economy was forced to choose between two main types of international specialization patterns. Natural, climatic and historic factors have provided incentive to encourage the development of the so-called traditional industries. The imperatives of the technological revolution urged the development of the R&D intensive production. Now we see a peculiar combination of the two specialization types in Scandinavia. The restructuring process is rather painful and slow though the TNC's in Sweden, Denmark and to a lesser degree in Norway keep on accumulating profits from their operations abroad.

The aggravation of the global energy problem during the 1970's has contributed to the more intent analysis, dealing with the laws of formation of the energy sector parameters and interpreting their economic content. Therefore the economics of oil production has gained special importance, because petroproducts keep on providing for more than 50 percent of primary energy consumption in the industrial capitalist and the developing countries despite the oil prices having grown drastically. Furthermore, petroproducts account for almost 60 percent of energy final consumption within the OECD area. In the article "The Dynamics of Production Costs, Prices and Rentability in International Oil Industry" Yu. Kurenkov and A. Konoplyanik present the results of the special study, performed to feature and quantify the dynamics of the economic factors which typify the contemporary international petrobusiness. Abundant statistical data, given in a series of tables, support the findings of this study. The authors indicate to the upward trend in the dynamics of oil production costs in the long run. The case study of the oil production costs in the U.S.A. gives the evidence to this judgement. The authors also dwell upon the regional and structural factors which determine the average world oil production costs. They rate 13 prime oil producing regions according to their relative contribution to the increase of the average oil production costs during the 1970's. There's a noteworthy gap between the mounting production costs and soaring oil prices. The explanation of this gap is the influence of global

economic, political and military factors upon the general energy situation in the capitalist world. The authors express their views, concerning the discussion about the dynamics of the world oil prices. They argue that the upper margin in the fluctuation of these prices is the possible price for oil substituting synthetic fuels. The authors predict the long-term growth of oil prices despite the probable short-term vacillations.

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## RELATIONS BETWEEN EASTERN, WESTERN ANTIWAR MOVEMENTS VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2,  
Feb 85 (signed to press 16 Jan 85) pp 7-20

[P. Fedoseyev article: "The Contemporary Antiwar Movement and the Prospects of its Development"]

[Excerpts] The antagonism between the two world systems permeates the entire sphere of international relations, which are undergoing large-scale qualitative transformations as the positions of socialism grow stronger.

With the change in the general correlation of forces in the world in favor of socialism, which is a result of an approximate military balance being achieved between East and West, imperialism has lost its dominant role in international relations.

The increasing influence exerted on the world situation by the foreign policy of the countries belonging to the socialist community creates real prerequisites for the new principles of international relations put forward by socialism to gain the upper hand over the principles of imperialism's international policies and to become established as the norm of relations between states with different social systems. (passage omitted)

In contemporary conditions the struggle waged by the Soviet Union and other socialist countries to establish peaceful coexistence by states with different social systems not only expresses the interests of their own peoples, but also the requirements for mankind's survival. The preservation of peace and the very possibility of social progress are indissolubly connected. (passage omitted)

The activation of antiwar actions by the popular masses and their increasingly persistent and energetic participation in the search for ways to strengthen peace and international cooperation is turning the mass movement of the peace-loving public into a most important factor in world politics which actively influences the correlation of forces both in the international arena and within individual countries by limiting the possibilities of the imperialist bourgeoisie continuing its adventurist course. (passage omitted)

The broad representation of different classes and social strata within the antiwar movement has been and remains an important and positive factor. But both history and the contemporary era attest to the fact that the antiwar movement gains the most effective scope and force only when one of the largest and most organized of classes, the class that determines the main direction of world social development--the international working class--is extensively involved in this movement and plays the vanguard role characteristic of it. In the climate of the exacerbated world situation the activeness of the working class, its political detachments, and trade union organizations in the struggle for peace and social progress increases. (passage omitted)

The fact that the antiwar movement has now grown on a vast scale and exerts an unprecedented influence on the masses testifies to the profound and positive change which has taken place in the consciousness of millions of people who no longer wish to reconcile themselves to the policy of preparing for a "victorious" nuclear war or to the endless arms build-up. (passage omitted)

At the same time, the movement, which is generally democratic in nature, is distinguished--and cannot help but be distinguished--by the diversity of its social make-up, the contradictory nature of the political stands taken by its participants, ideological dissimilarities, and even irreconcilable views. (passage omitted)

Primarily, one cannot ignore the fundamental differences between the peace movement in the socialist states, in the Soviet Union, in particular, and the antiwar movements in the capitalist countries, these differences mainly emanating from the differences between the social systems themselves. "As far as the CPSU and the Soviet state is concerned," said K.U. Chernenko, "we, together with fraternal parties and in unity with the countries of the socialist community, have done and will continue to do everything possible in order to improve the world's political climate and avert the threat of war looming over mankind."\*

The main thing is that the ideas of the Soviet antiwar movement--both those which it has developed itself (for example, the slogans "No to all nuclear missiles in the East and in the West" and "No to nuclear weapons throughout the world") and those which it has taken from the arsenal of its friends (in particular, the demand made by antimilitarists in the United States for a "freeze" on the production of nuclear weapons)--correspond as a whole to the socialist policy of peace and find adequate expression in the Soviet Union's peaceful initiatives in international arena. And in the other socialist countries the peace movement embraces broad strata of the population in full accord with the policies of their states. Some people in the West are surprised by this harmony between the slogans of social movements and the policies of the governments. But there is nothing surprising in this, because safeguarding peace on earth is the aim of both the public and the governments of socialist countries.

\* PRAVDA, 8 Nov 84.



For understandable reasons the situation is a great deal more complex (and difficult) in the antiwar movement in capitalist countries. Its participants belong to different classes and social groups, which cannot help but reflect on the degree of their consistency in the antimilitarist struggle, on the forms of their actions, the features of their concrete demands and slogans, and defendable alternatives.

What is more, the antiwar movement in the capitalist countries is greatly influenced by the militarist and promilitarist propaganda machine, which strives to disorient the movement and poison it with anticommunism and anti-Sovietism.

In these conditions mutual understanding, mutual aid, and solidarity between antiwar forces is particularly important, as is the ability to clearly perceive the sources of the growing threat of war, to find slogans and goals of key significance at a given moment, and to perfect the ways and means of struggling to fulfill them.

One of the most important achievements of the contemporary antiwar movement is that, despite all the diverse and dissimilar features of its component parts and operating forces, the community of basic aims is beginning to have effect within it to an increasing extent. This is primarily the beneficial result of internal dialogue and the process of mutual understanding which has developed with an intensity unprecedented in the past.

One's attention is drawn by the fact that the spontaneous mass antimilitarism of the broadest strata of the population, including those totally inexperienced in politics, alarmed by the threat of war, has served as a unifying principle in dialogue and as a means of cementing the movement. Simple people have been guided by the simplest of motives: They have rejected the logic of the nuclear missile arms race and have refused to believe that their security will supposedly be strengthened rather than undermined by the deployment of first-strike nuclear missiles in Europe, and that the threat of a destructive nuclear war will supposedly diminish rather than increase. In the same way, faith in the "salutary nature" of American "nuclear defense" is also waning sharply in Asia and alarm is growing on account of a number of regions, including in the Pacific Ocean basin, becoming saturated with American nuclear weapons.

The promilitarist press and many bourgeois politicians have made energetic attempts to compromise these expressions of mass awareness and mass antiwar actions as supposedly being "harmful" and "of little value." On the one hand, the myth is spread that the "hand of Moscow" is supposedly behind the antiwar movements. At the same time, a mass of "profound" and condescending sermons have appeared in the bourgeois press suggesting that "fear is a poor adviser," that "responsible decisions are not made on the streets," and so forth.

Meanwhile, it is a fact that the most weighty words in discussions on peace in recent years have been uttered precisely by "the streets"--that mass of simple people who have frequently not really trusted discussions, but have relied more on their own instinct and experience. This phenomenon warrants careful study. We believe that here, in addition to understandable emotions, an

impression has been made by the concentrated experience of previous antiwar struggle, which has enriched the mass awareness and influenced the formation of alternative thinking amongst various strata of the population in issues connected with security. (passage omitted)

In addition to national and regional antiwar movements, international democratic organizations, in particular the world Peace Council, which represents the movement of active supporters of peace on all continents, make an important contribution to the struggle against the threat of war. This movement was begun by the World Congress of Defenders of Peace held in Paris and Prague in April 1949 and which was headed by the eminent physicians, Frederic Joliot-Curie. The Congress of Cultural Workers in Defense of Peace, held in August 1948 in Wroclaw, was an important stage in the preparation of this mass movement.

Imperialist propaganda tries to present the antiwar movement as the result of "communist machinations," thus counting on disorienting defenders of peace belonging to other political trends and world outlook orientations.

Communist and workers parties do not command the peace movement, as the apologists of militarism claim, but help to develop its activeness and support its noble undertakings. It is appropriate to recall Lenin's stand on the attitude of communists toward the people's movement for peace. Soon after the victory of the Great October Socialist Revolution V.I. Lenin explained that the struggle of the Bolsheviks for peace and against the bourgeois parties of war was not merely party tactics, but the expression of the will of the people. The vast majority of peasants, soldiers, and workers upheld a policy of peace. This was not just Bolshevik policy and certainly not "party" policy, but the policy of the workers, soldiers and peasants, that is, the majority of the people. It is precisely the people's policy of peace, a policy in the interests of the people that communist and workers parties pursue.

The universal nature of the contemporary antiwar movement, the unprecedented breadth of the socio-political forces represented within it, and the participation of mass strata of the public from countries with different social systems in this movement--all this represents one of the most important sources of the growth of its potential to influence the development of the international situation and the resolving of cardinal problems connected with preserving and strengthening peace.

Under the present complex international conditions, utilizing this potential is connected to a high degree with the prospects of mutual understanding and cooperation primarily between the two main detachments of the movement--the defenders of peace in the socialist states and the antiwar public in the capitalist countries. Progress in this direction is extremely important in order to turn the worldwide antiwar movement into a more active factor in world politics--a factor that will truly be conducive to a turn away from confrontation and toward detente and international cooperation.

We are far from underestimating the complexity of the problems connected with this, and likewise the possibilities of resolving them. Participants in the antiwar movements in the West and in the East operate under different conditions, fulfill different ways for an antiwar political course which is in the general interests. Differences exist between them and cannot help but arise, in particular, in connection with problems relating to determining the sources and initiators of the threat of war, and also the priorities and emphasis of their concrete actions. Those opposed to the antiwar movement try to speculate on this, striving to divide and separate the peace-loving community, set antiwar movements in the capitalist countries against the peace movements in the socialist countries, sow alienation and enmity between them, and bring them into conflict with each other in order to make it easier to pursue a policy of aggression and the arms race.

Opposing these attempts is a task of principled significance. In the present complex situation it is particularly important that the broad antiwar forces in the East and in the West be thoroughly aware of their common vital interests and activate their efforts in possible ways which are aimed at averting the threat of nuclear war, returning to a policy of detente, and implementing real measures to curb the arms race.

Guided by these interests, it is essential to jointly seek points of contact that will help to resolve the problems, common to everyone, of preserving and strengthening peace. Moving precisely these tasks into the forefront should not be interpreted as a desire to ignore differences of an ideological and political nature objectively existing between them or to avoid discussions on serious subjects. We are in favor of jointly discussing problems concerning the participants in the antiwar movement in different countries. But it is important that differences on concrete problems of policy or on ideological soil be overcome on the basis of respect for the independence and equality of all detachments of the antiwar movement for the sake of the supreme aim--that of preventing a thermonuclear catastrophe and preserving and strengthening international peace.

One of the paramount tasks of such a dialogue within the framework of the antiwar movement and primarily between the public in socialist and capitalist states is that of overcoming prejudices and incorrect ideas about one another and assisting the understanding of the real views and positions of the sides, which are often deliberately distorted by opponents of the antiwar movement.

Certain progress has been made in recent years in this matter. This is attested to by the successful results of major international forums of defenders of peace from many countries which were held during 1983-1984 and at which antiwar organizations from both the East and West were broadly represented. These include: The General Assembly "For Peace and Life, Against Nuclear War" (Prague), the Second World Conference--a dialogue on the problems of disarmament and detente (Vienna), the conference-consultation of Nongovernmental Organizations on the Problems of the World Campaign for Disarmament and the Prevention of Nuclear War (Geneva), and the meeting of the special Committee of Nongovernmental Organizations for Disarmament (Geneva). In addition: the All-European Conference of Representatives of National Peace Movements (Athens) and representatives sessions of the World Peace Council. Analysis of the documents adopted by them shows that a fairly broad range of coinciding concrete demands was determined.

In the sphere of nuclear missile systems in Europe, the main demand is that NATO's decision to deploy 572 American first-strike missiles in Western Europe be annulled and that missiles already deployed there be removed from the European continent.

In the sphere of the global curtailment of the nuclear arms race and nuclear disarmament, slogans are required in support of freezing and reducing nuclear arsenals, totally banning and liquidating accumulated stockpiles of nuclear weapons, conducting international negotiations for this purpose, and concluding appropriate treaties.

In the sphere of lessening the risk of an outbreak of nuclear war, the task is to decisively condemn nuclear war, demand that the nuclear powers reject the first use of nuclear weapons and pursue a policy of detente, and strengthen measures for building trust.

In other spheres, the main demand is that chemical and other forms of mass destruction weapons be banned, including the building of new types of these weapons and the utilization of outer space for military purposes, and also the demand that conventional weapons and military expenditures be reduced and military resources be channelled into satisfying peaceful needs.

The coinciding demands of "Western" and "Eastern" peace movements are not exhausted by the examples cited. But even they give a clear idea of the process of the drawing together of the sides' positions in the interests of fulfilling tasks common to all and of the concretization of the general platform of antiwar social forces on key issues in the struggle to prevent a nuclear war, curb the arms race, and achieve disarmament.

At first, the countermeasures taken by the socialist countries in order to maintain the military balance after the deployment of American nuclear missiles in Western Europe had a complex and contradictory effect on the antiwar movement. Through the efforts of bourgeois propaganda, these measures at first aroused a guarded reaction. The propagandist apparatus in the West has actively exploited these sentiments, trying to turn the movement against the socialist countries.

In the conditions of the deployment of American first-strike nuclear missiles in Western Europe that has now begun and the forces counter-measures taken by the socialist states, many participants in antiwar actions in the West regard the problem of finding ways of halting and reversing the process of building up nuclear weapons in a particularly serious light. It should be noted that in the numerous actions taken on this matter the deployment of American Pershing and cruise missiles in Western Europe is characterized, with total justification, as an adventurist move aimed at the further quantitative and qualitative escalation of weapons on the part of the United States and its NATO allies. In this respect, in some cases the thesis is developing that in the new situation the Soviet Union should take the unilateral initiative of freezing its nuclear weapons, and doubts are expressed regarding the measures it has adopted to strengthen its defense capabilities.

While recognizing the dangerous nature of U.S. actions in building and deploying new offensive nuclear weapons, including those in Europe, at the same time the necessity of the counter-measures taken by the USSR in conjunction with the other Warsaw Pact countries is questioned. In this respect it is said that it would have been better if the USSR had not deployed an additional number of its own missiles in response to the deployment of American missiles in Europe. Some representatives of the antinuclear movement in the West voice the opinion that "it is a question of an escalation of the nuclear arms race," and the Soviet counter-measures are qualified as a "counter-arms race."

Opinions of this kind, we deeply believe, are erroneous. First of all, it should be emphasized that the counter-measures taken by the USSR and the other Warsaw Pact member-states for the purpose of safeguarding their security were forced on them and were provoked only by the appearance of new American missiles in Western Europe. These counteractions are not aimed at whipping up the arms race or gaining military superiority, but at wrecking the adventurist plans of the American administration, which is actively preparing for a nuclear war. What is more, these counter-measures are of a limited nature: they are kept strictly within those bounds which are necessary for maintaining the balance of forces and for neutralizing the concrete danger emanating from the United States and NATO, in particular from those directions where new American missiles have been deployed. To prevent the United States and NATO as a whole from gaining military superiority, to create a counterweight which would show the potential aggressor that his attempt to attack us would be suicidal, and to restrain him from such actions--such is the meaning of the measures of a military nature adopted by the USSR and the other socialist countries. It would be absolutely wrong to regard them as an invitation to escalate the nuclear arms race. And in the new situation existing as a result of the deployment of American intermediate-range nuclear missiles in Europe, the Soviet leadership continues to expand energetic efforts in order to break the course of events by urging the leaders of the United States and the West European states to once again consider all the consequences with which both their own peoples and the whole of mankind are threatened by the deployment of new American missiles in Europe and to return to the situation which existed before the deployment of American missiles in Western Europe. (passage omitted)

Some pacifists place hopes in the fact that an increase in political pressure by the mass peace movement could create an opportunity in the future for bringing about changes in the policies of the NATO countries. Of course, the contemporary antiwar movement has become a major positive factor in international relations and in the domestic political life of a number of countries, including in the West, and imperialists must take this circumstance into account. However, the stark reality is that even during a period in which the activeness of antiwar social forces in the United States, the FRG, Britain, and a number of other NATO countries has developed on an unprecedentedly broad scale, the aggressive group of ruling circles in the United States and NATO has been able to implement large-scale offensive military programs, deploy American first-strike missiles in Europe, and step up other military preparations. Naturally, the socialist community has been unable and is unable to ignore this reality without damaging its own ability to resist pressure and blackmail on the part of imperialist politicians in the West.

What has been said, of course, in no way reduces the historic significance of social movements in the struggle to curb the arms race. The resolving of this cardinal problem is the way to ensuring reliable security for all. This is the aim of the efforts of the Soviet Union and fraternal socialist countries, together with the entire peace-loving public.

The Soviet Union's proposal to conduct negotiations with the United States on the whole complex of problems connected with the nonmilitarization of outer space and the reduction of both strategic nuclear weapons and intermediate-range nuclear weapons is an event of world significance, as all these problems will be examined and resolved in mutual connection with one another. The peace-loving public received the information that the Soviet Union and the United States had agreed to embark on new negotiations with great satisfaction, these negotiations being aimed at reaching effective agreements on the whole complex of problems relating to nuclear and space weapons. It is important, however, that the negotiations are conducted honestly and on the basis of the principle of equal security from the very outset.

As a result of the firm and active peace-loving policy of the Soviet Union and fraternal socialist countries and the growing antimilitarist actions of the broad world public, the American Administration has been forced to resort to masking its aggressive course, to use "peace-loving" rhetoric, and to lavish splendid declarations of its "devotion to peace."

But the peoples have already learned to judge an attitude to peace not by words, but by real deeds, real steps to reduce arms, and practical measures in the struggle to prevent a nuclear catastrophe.

Of course, it would be unfounded and dangerous to reduce the activeness of social movements against the threat of war in view of the "peace-loving" declarations of the American Administration. The defense of peace has been and remains the cause of all the peoples of the world.

A radical turning-point in the course of world events in favor of detente, disarmament, and international cooperation can only be achieved as a result of active effort on the part of peace-loving states and a powerful, united, world antiwar movement. Under these conditions the isolation of the antiwar movement in the capitalist countries from the general struggle against the nuclear threat and from the mass peace movement in the socialist countries, which the advocates of the "cold war" are trying to achieve, hamper the fulfillment of this lofty aim because uncoordinated actions against the increased nuclear threat to mankind and for the strengthening of peace and international security would be less effective.

At the end of the seventies and the beginning of the eighties the movement as a whole and some of its individual detachments began to be increasingly caught up in discussions as to which organizations were "real" antiwar movements and which were not, and which movements could be considered good and "independent" and which should be considered bad and "official." In other



words, attempts have been made and continue to be made to persuade participants in the movement that cooperation between them is possible only if the differences existing between them are liquidated. The liquidation of these differences is supposedly a prerequisite for their implementing joint antiwar actions.

Certain schismatic forces which have taken root in the antiwar movement in the West try to knock together some "independent" groups of antisocialist elements in the socialist countries and to pass them off as "real" antiwar movements. This is basically a policy aimed at undermining the socialist system from within. The public in socialist countries cannot fail to repulse these attacks on the foundations of the system in their countries, which are being made under the guise of sham antimilitarism.

In these conditions mutual aid between antiwar forces is particularly important, as is the ability to perceive the real sources of the threat of war, to find the most important slogans, and to determine the near- and long-term aims of struggle. In the existing situation the position, words, and deeds of world science acquire exceptional significance. The duty of scientists lies primarily in telling the truth about the possible consequences of a thermonuclear war, warning against unleashing such a war, indicating realistic ways of safeguarding security, and thereby everywhere activating the struggle in defense of peace. (passage omitted)

However strange it may seem, the antiwar movement has not as yet been the subject of fundamental study by progressive scientists to the degree dictated by necessity. Meanwhile the efforts of progressive antimilitarist scientists could vitally enrich the content of those discussions which are held within the framework of the movement and thereby stimulate the development of its awareness and help it to orient itself correctly and consequently fulfill its historic role.

Of course, different concepts of detente, which reflect differences in ideology, the features of state policy, and the specific features of the antiwar movements, exist and will continue to develop. But the world needs a concept of detente which would unite on a principled, realistic, universal basis respecting the interests of all sides.

In order to help bring about a turn in the international climate away from the dangerous complications of the "cold war" toward mutually advantageous cooperation the tradition of political thinking in terms of confrontation will have to be overcome. It is essential to ensure that the stereotypes of hostility are replaced by concepts more actively conducive to accelerating and intensifying positive processes in international life. We attach particular significance to comprehensively counteracting the propaganda of theories and ideas in one way or another justifying the arms race and preventing the consolidation of businesslike and mutually advantageous relations between countries. There must be no justification for kindling suspicion and mistrust between peoples and for any actions which prevent the development of fruitful cooperation between states.

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## SOVIET-FINNISH COOPERATION REFLECTS SUCCESSFUL PEACEFUL COEXISTENCE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 85 (signed to press 16 Jan 85) pp 21-31

[Article by Yu. Denisov: "International Significance of Soviet-Finnish Cooperation"]

[Excerpts]

I

The rich experience of the USSR's postwar relations with Finland testify convincingly that peaceful coexistence and the fundamental principles of interstate relations formulated 10 years ago in Helsinki and enshrined in the historic Final Act of the Conference on Security and Cooperation in Europe can and should be indispensable and effective and permanent rules of intercourse between states, remaining such even in periods of abrupt drops in world politics. This experience shows how it is necessary to act to ensure that the mutually profitable peaceful cooperation of states with different socioeconomic systems become not only a possibility in principle but also a political reality embodied in actual deeds.

It is not fortuitous that it is precisely Soviet-Finnish relations, which have become an appreciable positive factor of modern international life, which invariably attract close attention in various states and broad circles of the world community and that their development and singularities are studied and analyzed. Of undoubted interest in this connection are the material and documents contained in a collection which was prepared jointly by the USSR Foreign Ministry and the USSR Council of Ministers Main Archives Administration and the Finnish Foreign Ministry, Ministry of Education and State Archives and which was published simultaneously in the Soviet Union and Finland in connection with the 35th anniversary of the Friendship, Cooperation and Mutual Assistance Treaty.\* Put together for the first time, the documents provide a clear picture of the progressive development of good-neighborly relations between the two countries.

The example of the mutual relations of the USSR and Finland is truly instructive and attractive for many reasons. It is not only a question of two

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\* "Soviet-Finnish Relations 1948-1983. The 1948 Friendship, Cooperation and Mutual Assistance Treaty in Action. Documents and Material," Moscow, 1983.



states representing different political, social and economic systems and different ideologies but also the nature and problems of relations between a big country and its relatively small neighbor. It should not be forgotten here that only a few decades ago the Soviet Union and Finland were separated by an interval of alienation, mistrust and, at times, outright hostility even on the part of Finnish ruling circles.

However, that it was precisely the Soviet Union and Finland which were the first in postwar Europe to succeed in rising above what had separated them and opt for the sole correct policy determined by common goals--one of peace, friendship and cooperation--became a historical fact. More, in 40 years Soviet-Finnish good-neighborliness has successfully stood all the tests of time and the practice of international relations at all stages and turns of their development in the postwar decades. And it has been possible to achieve this situation thanks to the persevering and purposeful efforts of the peoples and their leaders and thanks to the policy they are pursuing, the basis of which is not considerations of the moment but long-term, fundamental factors, correctly and profoundly recognized national interests and a consideration of the requirements and realities of international life.

Of course, these relations have their own particular features. A central place in them has always been occupied by problems of ensuring mutual security. After the war they were resolved on the firm basis of the 1948 Friendship, Cooperation and Mutual Assistance Treaty, which contains a number of commitments pertaining to the security of Finland and the northwest borders of the USSR. Finland is the sole nonsocialist country with which the Soviet Union has such a treaty. And this, naturally, cannot fail to make its mark on the nature of Soviet-Finnish relations and makes them in a certain sense unique.

## II

The Friendship, Cooperation and Mutual Assistance Treaty played a special part in the historical turning point in Soviet-Finnish relations. It was on the basis of this that the turning point was realized and that the strong traditions of good-neighborliness are deepening constantly.

Guaranteeing the security of Finland and the inviolability of the Soviet Union's borders in the northwest, the 1948 Treaty has been an important factor of the strengthening of peace and stability in North Europe. It corresponds to the goals of security and cooperation on the European continent and serves the cause of international detente. As Finnish statesmen have emphasized repeatedly, the treaty's time-tested principles constitute the foundation of Finland's foreign policy and the "Paasikivi--Kekkonen line".

After I.V. Stalin, chairman of the USSR Council of Ministers, had sent President J.K. Paasikivi a letter on 22 February 1948 proposing the conclusion of a Soviet-Finnish friendship, cooperation and mutual assistance pact,\* the prejudices and mistrust, class narrow-mindedness and, in a number of cases, outright hostility toward the Soviet Union of the bourgeois and

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\* See "Soviet-Finnish Relations 1948-1983....," p 5.

also Social Democratic parties and circles behind them, which had been spreading in Finland for many years, made themselves known as graphically as could be. The conservative newspaper UUSI SUOMI wrote that the conclusion of a treaty with the USSR would jeopardize "the very conditions of Finland's national existence," while the organ of the Finnish Social Democratic Party, SUOMEN SOSIALIDEMOKRAATTI, claimed that a treaty "will limit considerably Finns' freedom of action." The propaganda machinery, policy and diplomacy of the West made their contribution to the dissemination of a variety of speculations. U.S. President H. Truman attempted in a report to Congress to depict the Soviet Government's proposal as "a threat to Finland's independence and peace in Europe."

Of the six Finnish political parties whose opinion President Paasikivi solicited in connection with the Soviet Government's initiative, only the Finnish Communist Party, the Finnish Social Democratic Party and the Swedish Peoples Party supported negotiations with the USSR (the social democrats rejected here the idea of mutual assistance in the event of aggression). Nonetheless, J.K. Paasikivi adopted the decision to enter into such negotiations, expressing in a letter to the Soviet Government of 9 March 1948 the hope that "the content of the treaty will during the negotiations essentially be subjected to comprehensive free discussion and decision."\*

The consistent and invariably benevolent position occupied by the Soviet Union in the course of the negotiations in Moscow in April 1948 and the readiness to take into consideration the wishes of the Finnish side (its draft was adopted as the basis of the negotiations) contributed to considerable changes in the correlation of forces between the treaty's supporters and opponents.

Explaining the content of the Friendship, Cooperation and Mutual Assistance Treaty, which was concluded on 6 April 1948,\*\* President Paasikivi noted particularly that "an understanding of Finland's viewpoint and a desire to create a treaty which would be acceptable to Finland also were displayed... on the part of the Soviet Union" and that "the treaty has been drawn up with regard for the geographical location and particular conditions of our country."\*\*\* U.K. Kekkonen, who played a prominent part in the conclusion of the treaty, emphasized: "The commitment concerning military cooperation to repulse aggression or the threat of aggression... is for Finland a guarantee, as it were, in the event of the emergence of the danger of war, a guarantee against war and for the preservation of peace."\*\*\*\* At the time of ratification of the treaty in parliament 157 members (out of 200) supported it, some members of bourgeois parties (the Progressive and Coalition parties and the Agrarian Union) voting against.

The results of public opinion polls conducted in different years provide an idea of the continued growth of support for the treaty. Thus in 1964 some 57 percent of Finns expressed the opinion that the treaty is of positive

\* "Soviet-Finnish Relations 1948-1983...", p 6.

\*\* For the text of the treaty see "Soviet-Finnish Relations 1948-1983...", pp 6-8.

\*\*\* "The Paasikivi Line. Articles and Speeches of Juho Kusti Paasikivi. 1944-1956," Moscow, 1956, p 148.

\*\*\*\* Urho Kalevi Kekkonen, "Finland and the Soviet Union. Articles and Speeches," Moscow, 1960, p 47.

significance for the strengthening of Finland's international position, 12 percent responded negatively. The corresponding figures subsequently were such: in 1969 some 65 and 10 percent, in 1978 some 77 and 6 percent, in 1981 some 81 and 4 percent and in 1983 some 84 and 2 percent.\*

M. Koivisto, who replaced U.K. Kekkonen as Finnish president in 1982, has emphasized repeatedly that the 1948 treaty "retains its relevance in all its provisions. It corresponds to the vital interests of both Finland and the Soviet Union."\*\*

The new, long-term extension of the treaty until the year 2003 which was effected in June 1983 (it had previously been extended twice--in 1955 and 1970) convincingly confirmed the decision of the USSR and Finland to continue to abide by the proven policy of friendship, trust and mutual understanding.

The concerted evaluation by the Soviet Union and Finland of the treaty's significance--and not only in the context of bilateral relations, furthermore, but also as the long-term basis of Finland's foreign policy--has been recorded in a number of joint documents. Considering the attempts of certain circles both of Finland and in the West to narrow the significance of the treaty, belittle its role and counterpose the leading provisions of this document to the thrust of the "Paasikivi--Kekkonen line," the main principles of Finland's foreign policy with regard for their correlation with the 1948 Treaty were formulated jointly at the start of the 1970's. This step confirmed the consistency and continuity of the mutual relations. Joint documents adopted on the results of official visits to the USSR by President M. Koivisto (June 1983) and Prime Minister K. Sorsa (September 1984) again observed that, "based on the treaty, Finland's foreign policy course--the 'Paasikivi-Kekkonen line'--guarantees the unswerving development of friendship and cooperation with the Soviet Union and expresses Finland's endeavor to exercise a peace-loving neutral policy in the interests of international peace and security and maintain friendly relations with all countries."\*\*\*

The uniform approach to the 1948 Treaty and all its principles and provisions, which have stood the test of time, and the joint readiness to continue to abide unswervingly by the policy outlined therein were and remain the essential prerequisite for the continued consolidation of friendship, trust and cooperation between the USSR and Finland.

### III

In the present situation, when the United States is attempting to disturb the foundations of international peace and cooperation, the role of trust between states and serious and honest dialogue in a spirit of equal, businesslike partnership and consideration of mutual interests grows particularly. Only on these paths can the solution of the cardinal problems troubling all mankind be found. The experience of Soviet-Finnish relations

\* HELSINGIN SANOMAT, 29 January 1983.

\*\* PRAVDA, 10 March 1982.

\*\*\* "Soviet-Finnish Relations 1948-1983...", p 459; PRAVDA, 30 September 1984.

confirms that such trust and such dialogue are possible between states, however different they may be, if there is a mutual political will for this.

When in the first postwar years the Soviet Union and Finland embarked on the reorganization of mutual relations on a fundamentally new foundation, the establishment of trust was put at the center of the entire set of problems and became the main area of joint work.

Statesmen of both countries understood that this would be a difficult process. I.V. Stalin said when signing the Friendship, Cooperation and Mutual Assistance Treaty: "It is well known that for 150 years there has been mutual mistrust in relations between Russia and Finland.... It is not to be thought that mistrust between peoples can be done away with all at once. This cannot be done quickly. Vestiges of mistrust and odds and ends, to do away with which it is necessary to work and struggle a great deal in order to create traditions of mutual friendship between the USSR and Finland, making these traditions strong, will remain for a long time."\*

Addressing his compatriots, U.K. Kekkonen emphasized: "We need by common efforts to create the prerequisites for the establishment of an atmosphere of trust between Finland and the Soviet Union.... Leaders of the Finnish state, conscious of their responsibility, honestly aspire to achieve and maintain such an atmosphere of trust since this is very important from the viewpoint of Finland's national interests."\*\*

Firm trust has now become a determining feature of Soviet-Finnish relations and a most valuable joint property of the two peoples. It cements the good-neighborliness and guarantees it against any eventualities.

Paramount significance for strengthening trust and mutual understanding is attached to the contracts between the leaders of the two countries, which--and this needs to be emphasized particularly--are distinguished by stability and fruitfulness.

The meeting between K.U. Chernenko and M. Koivisto in April 1984 confirmed anew the continuity of the policy of friendship and determined the prospects of joint cooperation. The official visit to the USSR by Prime Minister K. Sorsa (September) and the joint celebration of the 40th anniversary of the armistice agreement (September-October), in which a Soviet delegation headed by G.V. Romanov, member of the CPSU Central Committee Politburo and secretary of the CPSU Central Committee, and a Finnish delegation headed by Foreign Minister P. Vayrynen, deputy prime minister, took part, were conducted in the same channel.

The Soviet Union's policy in respect of Finland was and remains clear and high-minded. Addressing a Finnish television audience, K.U. Chernenko

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\* PRAVDA, 8 April 1948.

\*\* Urho Kaleva Kekkonen, "Finland and the Soviet Union. Articles and Speeches," p 45.

emphasized: "The Soviet Union will consistently and invariably pursue the policy of good-neighborliness with your country bequeathed us by the founder of the Soviet state--Vladimir Il'ich Lenin."\*

The Finnish people evaluate this clear line on its merits and see the Soviet Union as a dependable and good neighbor. When during a recent public opinion poll the question of whom the Finns consider their country's best friend was asked, almost three-fourths of those polled named the Soviet Union and Sweden (73 and 74 percent). Then came Norway (62 percent), Denmark (45 percent), Britain (21 percent), the FRG (19 percent) and the United States (16 percent).\*\*

The past decades have shown convincingly that thanks to the mutual trust established between the Soviet Union and Finland and their state leaders, there are no problems in Soviet-Finnish relations which could not be solved by way of negotiation and in a spirit of mutual understanding and consent.

It is important to note that when such problems have arisen at this stage of postwar history or the other, political considerations, primarily an endeavor not to harm the fundamental policy determined by the 1948 Treaty, have played the predominant part in them to a large extent. The corresponding solutions were, naturally, often the subject of agreements at the highest political level.

When, for example, Finland was confronted in the 1960's-1970's with a number of problems in connection with the development of processes of West European economic integration, in which all its main foreign trade partners in the West found themselves involved in this form or the other, these questions were examined in a broad context, primarily in a package with the prospects of Soviet-Finnish relations.

The Finnish leadership had to consider that an integral part of the integration processes was from the very outset an aspiration to the strengthening of the political cooperation of the West European countries and the creation of closed trade-political associations with supranational bodies and institutions limiting the national sovereignty and independence of the countries incorporated therein and making more difficult their pursuit of an independent foreign policy.

The said points were, naturally, contrary to the basic principles and direction of the "Paasikivi-Kekkonen line" and contradicted the commitments assumed by Finland in accordance with the 1948 Treaty. Special models of the solution of the problems which had arisen corresponding to the specific features of Finland's foreign policy position had to be found. Proceeding from this, President U. Kekkonen strictly differentiated between trade-economic and political aspects of settlements with Western states.

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\* PRAVDA, 22 September 1984.

\*\* ILTA-SANOMAT, 27 March 1982.

Embarking in 1959-1960 on a solution of the question of association with EFTA (as an associate member), the Finnish leadership deemed it necessary to secure first of all the interests of the continuation and development of good-neighborly relations with the Soviet Union. It was a question, *inter alia*, of cooperation with EFTA not being detrimental to the most-favored-nation principle recorded in the commercial treaty with the USSR (1947).

Throughout 1960 these questions were repeatedly the subject of discussion at the highest level in the course of Soviet-Finnish negotiations. The communique on the talks between the USSR Council of Ministers chairman and the Finnish president in Helsinki in September 1960 confirmed the USSR's negative attitude toward the "exclusive trading blocs of Western countries, which (blocs) are acquiring an increasingly clearly expressed political nature." For its part, Finland gave assurances that it had no intention of abandoning the most-favored-nation principle in trade with the USSR. Agreement was reached on this basis to begin negotiations on measures necessary for the development of Soviet-Finnish trade "in the event of Finland wishing to conclude a special trade agreement with EFTA."\* This agreement was subsequently enshrined in the Soviet-Finnish customs agreement concluded on 24 November 1960.\*\*

Serious new problems had arisen in Finland's trade with West Europe on the threshold of the 1970's. The entry of its biggest trading partner--Britain--and also Denmark into the EEC and the conclusion by Sweden and Norway of free-trade agreements with the Common Market struck a serious blow at cooperation with EFTA and reduced Finland's competitiveness on the markets of the Nine. Finland deemed it necessary to find a solution to these problems by way of a free-trade agreement with the Common Market.

Uniform opinion in the country concerning the necessity and expediency of such an agreement was lacking. It was opposed by the Finnish Communist Party, a number of trade unions and youth and women's organizations and also certain Social Democratic Party figures. The danger of the country's involvement in the sphere of the Common Market's political and economic influence and the possible negative consequences of this step for the economy of Finland and its commercial-economic relations with the USSR were pointed to here.

Despite the fact that the final decision on the expediency of the establishment in this form or the other of relations with the EEC was, of course, a matter for Finland itself as a sovereign, independent state, the need for a settlement of the problem with regard for the interests of Soviet-Finnish relations would seem at the same time to have been obvious.

Just as when deciding the question of cooperation with EFTA, President U.K. Kekkonen adopted a policy of clearly separating the commercial-economic aspects of a settlement of relations with the EEC from political aspects, distinguishing the latter as a special group of problems and giving them pride

\* "Soviet-Finnish Relations 1948-1983...", pp 86-87.

\*\* Ibid., pp 87-89.

of place. As a result the process of the organization of relations with the EEC underwent several stages and took approximately 3 years.

From the very outset, that is, November 1970, the Finnish side declared that it was interested merely in the conclusion of an agreement on the lifting of customs duties on industrial commodities. The text of an agreement on free trade between Finland and the EEC was agreed by the summer of 1972. As distinct, for example, from Sweden and Norway, Finland did not consent here to the inclusion in the agreement of "development clauses" providing for the subsequent expansion of cooperation with the EEC in other spheres also.

However, before consenting to sign the said agreement, President Kekkonen considered it important to introduce complete clarity to the political aspect to avoid any speculation. The signing of the agreement with the EEC was postponed for almost a year, and Kekkonen took advantage of this postponement to explain the Finnish line in respect of cooperation with the EEC both in conversations with the Soviet leadership and in official speeches in this connection.

Speaking in Turku on 9 November 1972, Kekkonen repudiated the assertions to the effect that the Soviet Union was putting pressure on Finland on this question. He emphasized simultaneously: "No arrangement in the sphere of trade with the West can push us to the detriment of our own interests onto a path which would lead to a weakening of the prerequisites of economic cooperation in the East."\*

Granting the government the authority to sign the agreement with the EEC in October 1973, President Kekkonen noted specially that "the basic line of Finland's foreign policy, the cornerstone of which is the Friendship, Cooperation and Mutual Assistance Treaty, will remain invariable."

And subsequently our countries have repeatedly provided examples of the solution of questions arising in the practice of mutual cooperation in a spirit of good-neighborliness and trust, displaying a considered, realistic approach and invariable concern for the continued consolidation of Soviet-Finnish relations.

#### IV

We should undoubtedly put among the achievements of good-neighborliness going beyond a bilateral framework the constant search for and approval of new forms of cooperation, many of which are subsequently introduced in international use. The relations of the USSR and Finland are frequently called a "laboratory of peaceful cooperation". And this is perfectly justified.

Take, for example, the sphere of economic relations, which is called on to be the material basis of peaceful coexistence. We would recall that the practice of the conclusion of long-term commodity-supply agreements, which

\* Urho Kaleva Kekkonen, "Finland and the Soviet Union. Good-Neighborliness, Cooperation, Mutual Understanding. Speeches 1967-1972," Moscow, 1973, p 150.



has now become an important factor of the development of East-West trade, began with the 5-year agreement between the USSR and Finland concluded in 1950. Long-term agreements and commercial-economic, industrial and scientific-technical cooperation programs for 10-15 years appeared for the first time in the sphere of Soviet-Finnish relations.

An important stage in the development of economic relations was opened by the Long-Term Program of the Continued Extension and Development of Commercial-Economic, Industrial and Scientific-Technical Cooperation Until 1990, which was signed in 1977 and which was subsequently extended to 1995 (there is already agreement on its extension to the end of the present century).\*

The said program represents a qualitatively new, unique document. For the first time states with different social and economic systems determined the main directions of cooperation for such a lengthy period and tackled these questions in such a broad complex and on a specific and real basis. Similar programs were concluded subsequently by the USSR with the FRG, France and number of other states.

Life itself has repeatedly made appreciable adjustments also to the already high figures of the growth of trade between the two countries envisaged by the long-term program. Thus originally the volume of commodity turnover for 1981-1985 was set at R12 billion, but in fact, it turns out, it will constitute R25 billion. In accordance with the new, eighth, 5-year trade agreement for 1986-1990, which was signed in September 1984, Soviet-Finnish trade is to grow to R28 billion (the original outlines gave as the reference point R14-16 billion and subsequently R22-24 billion). We would recall that in accordance with the first trade agreement for 1951-1955 the volume of commodity turnover equaled R1 billion.

It is important that the annual R5 billion mark which has been achieved, which Soviet-Finnish trade first reached in 1982, has now not only been consolidated but will be surpassed.

As of 1974 the Soviet Union has firmly held first place in Finland's foreign trade turnover. In the 1970's the Soviet Union's share constituted 18 percent of the volume thereof on average, while in 1984 it grew to 26 percent (we would point out for comparison that prior to the war it constituted less than 2 percent).

In turn, Finland is today among the Soviet Union's biggest trading partners: in terms of the results of trade in 1984 Finland again emerged in second place, behind the FRG, in the USSR's trade with the industrially developed capitalist countries. It accounts for 14 percent of the USSR's foreign trade turnover with these countries.

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\* "Soviet-Finnish Relations 1948-1983...", pp 303-330, 398-404.



Such promising forms of Soviet-Finnish economic cooperation, which emerged in the mid-1960's, as the joint installation of large-scale industrial and construction facilities on the territory of Finland and the Soviet Union are also being further developed.

The "Rautaruuki" Foundry in Raahe, several heat and electric power plants and a gas pipeline, via which since 1974 Finland has been receiving natural gas from the Soviet Union (the construction of a second stage is being planned currently), have been installed in Finland with the USSR's assistance.

Finland was the first capitalist country in which the building of nuclear power stations with the technical assistance of the Soviet Union began in the 1970's. As a result of the construction of the Lovisa I and Lovisa II nuclear power stations (with a capacity of 440 megawatts each), which, in the estimation of Western experts, are among the most accomplished and safe in their class, and also the two nuclear power stations in Olkiluoto built with the assistance of Western firms Finland held first place in the capitalist world in terms of nuclear power stations' share of the country's power engineering. The possibilities of the installation of a nuclear power station with a capacity of 1,000 megawatts with a Soviet reactor are being studied.

For the first time in the practice of postwar economic relations with capitalist countries back in the 1960's the Soviet Union began to enlist Finnish firms and personnel in the installation of facilities on the territory of the USSR. In the period 1981-1985 the volume of Finnish firms' construction work on USSR territory could be in excess of R1 billion.

Particular mention should be made of such a major project of Soviet-Finnish cooperation as the Kostomuksha Mining-Enriching Works in the Karelian ASSR.\* The construction of a modern metallurgical enterprise for the mining of 24 million tons of iron ore and the production of 8.9 million tons of pellets annually and also the construction of a new city with a population of approximately 35,000 are being completed here.

The Kostomuksha project is a convincing example of the tangible benefit which good-neighborly cooperation is affording the two states, their economy as a whole and the working population. In some years approximately 2,000 Finnish workers have been employed at the construction site in Kostomuksha, and, what is more, these have been primarily inhabitants of Finland's northeastern provinces, where unemployment is particularly serious. It has been calculated that each Finnish worker in Kostomuksha provides work--at contractor and subcontractor enterprises--for three of his compatriots. With the commissioning of the works some of its products will be supplied to the foundry in Raahe, which will exert a salutary influence on the development of the two contiguous areas of Finland and the Soviet Union.

Work on the development of industrial cooperation and specialization between enterprises of the two countries is a promising direction. There are currently

\* See "Soviet-Finnish Relations 1948-1983...", pp 331-334, 404-407.

more than 80 specific projects in this sphere, and affiliated supplies constitute 30 percent of all Soviet machinery and equipment exports to Finland. These include joint production by the Novocherkassk Electric Locomotive-Manufacturing Plant and the Stremberg firm of the latest "SR-I" electric locomotives and also the joint production of paper-making machines with the Valmet Joint-Stock Company.

The long-term program determines such important areas of industrial cooperation and specialization as the designing and production of equipment and ships for exploration and development of the natural resources of the continental shelf, nuclear-powered icebreakers, energy-saving equipment, automated production-process control systems for nuclear and heat and electric power stations, the production of new types of computers and so forth. It is clear that such tasks may be tackled only by partners who possess technology of the highest order and have accumulated vast experience of cooperation.

Cooperation in third countries, particularly in the joint installation there of complete enterprises, is becoming a large sphere of Soviet-Finnish interaction combining the two countries' foremost technical achievements.

The maintenance of stable and long-term relations with the Soviet Union and its socialist planned economy has in recent years assumed particular significance for Finland under the conditions of the economic recession in the West. Approximately 50 percent of the export products of Finnish shipbuilding, equipment of the timber-paper industry, some other engineering sectors and footwear, over 50 percent of exports of meat and meat products, 14 percent of garments, 18 percent of furniture and more than 10 percent of paper and cardboard traditionally go to the USSR. It has been calculated that commercial-economic relations with the USSR provide jobs for no less than 150,000 persons, which is reflected indirectly in the economic position of a further approximately 300,000 citizens.

Of course, commercial-economic relations with Finland are significant for the Soviet economy also. Thus in total USSR imports of equipment for the timber-paper industry the proportion of supplies from Finland amounts to 45 percent, ships to 20 percent, paper more than 50 percent and of cable products more than 20 percent. Cooperation with Finland is producing appreciable results in the expansion and modernization of enterprises of the timber-paper industry, replenishment of the Soviet merchant fleet, icebreaking particularly, and an improvement in the selection of consumer goods.

Thus the cooperation of the Soviet Union and Finland corresponds to both countries' vital interests and is contributing to their economic progress. Simultaneously it is an important contribution to the establishment of a new type of international economic relations, in which states with different economic systems participate, and signposts a fruitful path of realization of the economic propositions of the Final Act of the All-European Conference.

The Soviet Union and Finland have done much to prove by the entire experience of their mutual relations the viability and promising nature of the policy of the peaceful coexistence of states with different social systems. They were at the source of detente and have made an impressive contribution to the organization of cooperation on the European continent.

Currently both countries jointly support a curbing of the arms race, the prevention of nuclear war, continuation of the all-European process, a lowering of the level of military confrontation in Europe, the return of interstate relations to the channel of detente and the creation of an atmosphere of international trust and constructive cooperation.

As K.U. Chernenko emphasized, "there is a broad field for the development of relations between the USSR and Finland along the path of firm friendship, mutual trust and all-around cooperation to the mutual benefit of the Soviet and Finnish peoples."\*

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\* PRAVDA, 27 April 1984.

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## CHANGES IN STRUCTURE OF WORLD OIL INDUSTRY DESCRIBED

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[Article by Yu. Kurenkov, A. Konoplyanik: "Dynamics of Production Costs, Prices and Profitability in the World Oil Industry"]

[Text] The abrupt exacerbation of the global energy problem in the 1970's has reinforced specialists' attention to study of the regularities of the formation of the basic economic indicators of the functioning of power engineering, namely, the costs of the production of energy resources, their sale prices and the profitability norms in transactions with them. Paramount attention here is being paid to the oil business, particularly its most important sphere--the oil-producing industry.

The higher-than-usual interest in the economics of oil production is entirely natural and logical: despite the sharp increase in oil prices, liquid fuel has catered in the last 15 years for more than 50 percent of the primary consumption of energy in the capitalist and developing countries and approximately 60 percent of its ultimate use in the OECD countries.

This article sets forth the results of a study aimed if only in first approximation at analyzing the dynamics of production costs and the profitability norms in the oil industry of the capitalist and developing countries in aggregate with the movement of world oil prices, that is, the economic factors of this process.

The Role of Oil in the Formation of a World Energy Supply System and World Energy Market

An objective regularity of the development of the production forces is the gradual formation of a world energy supply system and a world energy market since only the existence of these conditions can ensure a solution of the global energy problem, which the authors see in the achievement of the stable and also economically, socially and ecologically acceptable satisfaction of the ultimate consumer's demand for the requisite type of energy.

The basic objective prerequisites of the formation of a world energy supply system are the nonconcurrence of the main energy consumption and energy production regions; the interchangeability in principle of individual energy

resources and the high degree of correlation of their use and exchange values; and the possibility of enrichment of the energy market thanks to the creation as a result of man's scientific-technical activity of new carriers thereof. The possibility in principle of the formation of prices on a uniform basis, which is contained in the physical essence of the energy resources, that is, in the possibility of comparing their calorific value, should be acknowledged as the main economic component of the energy market which is taking shape.

The following basic trends, with reference to the tasks of an analysis of the levels and structure of prices for energy resources, attract attention in the formation of a world energy supply system and world energy market:

first, the significance of international trade has grown sharply for the energy supply of the capitalist and developing countries: in the period 1950-1980 exports of energy resources increased by a factor of 6.3 and export quotas by a factor of 2.1 and import quotas by a factor of 2.3, amounting to 45 and 52 percent respectively;

second, the general factors of the formation of a world energy supply system noted above operated primarily in respect of liquid fuel, and the world oil supply system may now be considered formed, in the main. On the eve and at the outset of the 1980's liquid fuel accounted for 85 percent of the foreign trade sales of energy resources (expressed in standard fuel), including oil for 70 percent. The export quota of oil--67 percent--exceeds the corresponding indicator for coal by a factor of 3.5 and for natural gas by a factor of 3.2; the import quota of liquid fuel--95 percent (!)--is greater by a factor of 5 and 4.4. than for solid fuel and fuel gas;

third, the development of the world coal, gas and nuclear power supply systems is currently passing through the initial stages;

fourth, right up to the present time price-forming has been conducted practically individually for each energy resource, although there are, naturally, connections between the levels of their prices: the leader in this process is liquid fuel, which has to a considerable extent become the basis of the formation of prices of other energy resources;\* and

fifth, it may be considered that a mechanism of basically interlinked oil prices is currently operating in the world. With a certain particle of conditionality they may be termed world prices, and the oil market a world market. This cannot yet be said in respect of other energy resources.

So, there are objective economic prerequisites for the creation of a world energy supply system and world energy market based on the interlinked prices of energy resources as an essential condition of a solution of the global energy problem. The establishment of world prices taking account of the specific singularities of the energy resources, primarily those in greatest

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\* Thus the natural gas price formulas established as of the start of the 1980's for supplies to West European countries from the deposits of the North Sea, the Netherlands, Algeria and Nigeria are based on the dynamics of the prices for oil on the world market and petroleum products on the West European market.

demand, that is, oil and gas, would, we believe, be an important step on the way to realization of these prerequisites.

For this reason it is necessary when analyzing the dynamics of the prices of individual energy resources to look for not only the common but also specific factors of their formation. By virtue of what has been said, these factors are best analyzed in the example of oil. Oil's community with coal and gas as a finite energy resource predetermines on a qualitative level common regularities of the formation of the economic indicators of transactions with them in different components of the energy economy. The singularities of the oil business, on the other hand, caused by both objective and subjective factors, could lead at a specific historical stage to a nonconcurrence of the values and trends of change of these indicators.

The specific conditions of the functioning of the oil business were manifested strikingly in the 1950's-1960's, which were characterized by a stabilization of the prices of basic energy resources and the rapid growth of the consumption of liquid fuel. It was in this period that the foundations of the intensive formation of a world oil supply system were formed.

Having established control over the very abundant resources of oil of the Near and Middle East--the world's cheapest--the oil cartel was able, given stable prices (close to the marginal costs of the production of this fuel in the United States), to secure a higher-than-usual profit norm compared with other producers and an immeasurably greater amount thereof. And whereas the basis of the increased profit norm was the objective process of transition from routine technology to a new technical basis of production all along the vertically integrated chain of the oil business, the growth of the profit volume was primarily connected with the preferential and largely hypertrophied development of the spheres of the economy oriented toward the predominant consumption of liquid fuel.

An objective economic prerequisite of the structural reorganization of the capitalist economy from coal to oil was the reduction in the costs of its exploration and production (and, accordingly, in the wholesale and retail prices of petroleum products) below the level of analogous expenditure for coal, with the far higher consumption effect of the use of liquid fuel. The tremendous increases in proven recoverable oil reserves in the developing countries and the practice of their economic neocolonization, which to imperialism seemed unshakable, permitted the oil importers to hope for the irreversibility of this trend. For this reason the abrupt, but steady growth of the prices of energy resources, which began in the 1970's, came as a shock to the consumers. It is sufficient to say that in the period 1970-1982 the export prices of oil increased by a factor of 20.7, those of natural gas 7.4, coal 3.6 and for organic fuel as a whole by a factor of 17.5.

What were the economic prerequisites for the sharp increase in the cost of oil, and was it not brought about by purely political factors?

## Production Costs: Shift of Dynamics

The supposition that "in 1970-1971 the phase of reduction in critical production costs in the oil industry (of the capitalist and developing countries--Yu.K., A.K.) was replaced by a phase of a growth thereof, at least at the level of the prospecting of new deposits and the production of oil,"\* which was advanced at the start of the 1970's by the French economist J.-M. Chevalier, was taken as the point of departure of our study. The decade which has elapsed since the time of publication of J.-M. Chevalier's monograph not only confirmed the soundness of this hypothesis but also afforded an opportunity for it to be checked in the quantitative aspect.

The calculations which we made testify that the said trend is characteristic currently of all oil-producing regions of the capitalist and developing countries, despite their highly different natural-geological conditions. The latter are reflected in the greater or lesser intensiveness of the growth of costs.

In our view, this trend is objective, long-term and inherent in principle not only in oil but all finite energy resources. It is ultimately brought about by the unevenness of their geological concentration and different quality.

The experience of the increase in the world recovery of energy resources testifies that it is the biggest deposits providing for maximum increases in reserves and the high efficiency of prospecting and production which are originally opened up and drawn into industrial use. However, the proportion of large-scale oil deposits with a value of initial proven recoverable reserves of more than 1 billion tons constitutes for OPEC approximately 50 percent, but for the capitalist and developing countries as a whole 32 percent. Aspiring to the maximum profit, the energy monopolies are extending the front of activity thanks to the constant commissioning of new, relatively large-scale deposits. In the period of low prices for energy in general and oil in particular (up to 1973-1974) this practice--the opening up of new reservoirs instead of the continued working of old ones--was considered in the short term more economical than improving production techniques, even though two-thirds of recoverable oil reserves remained in the ground here.

Up to a certain point this policy leads, by virtue of the effect of the law of the concentration of production, to a reduction in both critical and average costs. However, the unevenness of the geological distribution of finite energy resources predetermines a gradual reduction in the efficiency of surveying and prospecting operations. The increase in the initial potential resources slows, and the absolute value of current potential resources begins to diminish. Given the need for an increase in production, the involvement in industrial use of smaller deposits or those located in more difficult natural conditions is thereby contemplated. The trend of the growth of at first critical and then average prospecting and production

\* J.-M. Chevalier, "The Oil Crisis," Moscow, 1975, p 196.

costs gradually becomes predominant. Deposits with higher costs than formerly begin to complete the balance sheet of the production capacity of the power engineering extractive sectors. When, however, their magnitude is higher than the level of socially necessary expenditure, production of the corresponding energy resources begins to decline: it is squeezed out of consumption by cheaper competitive types.

In actual reality the paramount influence on production costs is exerted by the interaction of scientific-technical progress and the natural conditions of the occurrence of the energy resources, the deterioration in which, at least for hydrocarbons, in the last 10-15 years is connected with the following basic factors: a diminution in the value of individual reserves of prospected deposits; the increased depth of the occurrence of productive beds; the deterioration in the climatic conditions of the new recovery areas; and their remoteness from facilities of the production and social infrastructure.

Let us analyze the effect of these factors in the example of the oil industry of the United States, where scientific-technical progress could to a considerably greater extent than in other countries smooth over the upping influence on energy resource production costs of the deteriorating natural conditions of the functioning of the sector.

#### The Oil Industry: Factors of the Growth of Costs (Example of the United States)

The efficiency of oil surveying-prospecting operations in the United States is declining: the increase in proven recoverable reserves per productive well declined by a factor of 2.2 in the period 1971-1981 (in terms of the adjusted trend). This process was accompanied by an increase in the average depths of exploratory drilling and the occurrence of the deposits being worked--approximately by one-fifth in the period between the 1950's and the latter half of the 1970's. Since the war approximately 85 percent of the increase in proven recoverable reserves has been achieved here thanks to a revision of the estimates of the reserves and an expansion of the areas being drilled--that is, measures unconnected with the switch to new depths. Approximately only 15 percent of the increase in proven reserves has been secured by new deposits and new reservoirs at deposits already being worked. This means that the depth of their occurrence has approximately doubled in 30 years. At the same time, however, according to our calculations, with the sinking of wells to depths of more than 2.5-3 kilometers the cost of their drilling and rigging out begins to grow at an increasing preferential rate compared with the increase in the depth of the drilling.

The increased complexity of drilling techniques operates in this same direction inasmuch as expenditure on the drilling and rigging out of wells constitutes 25-35 percent of the costs of prospecting and 50-60 percent of the costs of the development of oil and gas deposits.



The gradual change in the geography of oil recovery and its relocation from states with the most favorable climate to the worst and even extreme conditions (Texas had 42 percent of oil production in the country in 1950, some 31 percent 30 years later; Alaska had 0 and 19 percent respectively) was also a factor of the growth of all components of production costs both onshore and offshore. Thus the increased depth of the sea above the wellhead from 0.2 to 4 kilometers multiplies, given a moderate climate, the costs of drilling and rigging out fourfold, but the switch of this well, given the same sea depth (200 meters), from a moderate climate (the Gulf of Mexico) to an area with year-round ice conditions (the Northern Arctic Ocean shelf) multiplies them by a factor of 4.6.

The distance of the new recovery areas from the developed zones also leads to increased costs thanks to the increased infrastructural expenditure, which is confirmed, for example, by the increase in the period 1970-1980 in the numbers of those employed in the United States' oil and gas production auxiliary processes from 92,000 to 171,000 with a reduction in the commercial production of oil and gas from 1.6 billion to 1.4 billion tons of standard fuel.

A deposit's arrival at the late stages of exploitation, which are characterized by a drop in production, also contributes to increased costs. In specialists' opinion, this stage begins upon the recovery of more than 4 percent of the initial proven recoverable reserves of the deposit. For the United States as a whole the depletion factor has exceeded 80 percent. The use of modern scientific-technical resources can only slow down the process of the decline in production--with a substantial growth of operating expenditure, including here the enlistment of additional manpower, particularly personnel servicing the field (the proportion thereof in the numbers of those employed in the United States' oil- and gas-producing industry increased in the period 1970-1980 from 47 to 60 percent).

So, the growth of the costs of the prospecting, development and exploitation of oil and gas deposits in the United States was caused, the authors believe, primarily by the deterioration in the natural conditions of the functioning of the sector. The latter was reflected primarily at the prospecting and development stages, the share of which in the aggregate costs of the production of oil and gas increased in the period 1959-1982 from 27 to 38 and from 30 to 43 percent respectively, while proportional expenditure on exploitation declined from 43 to 19 percent with an absolute growth thereof per ton of recovered hydrocarbons.

Obviously, scientific-technical progress is the principal counterweight to the deteriorating natural conditions of the functioning of the sector. The interaction of these global factors with reference to the oil and gas production of the United States in the 1970's led to the fact that, despite the constantly increasing provision of production with equipment, labor productivity in the sector (in terms of commercial production) declined catastrophically, constituting in 1980 merely 44 percent of the 1970 level.

This means that scientific-technical progress has been unable to compensate fully for the complication of natural conditions but has applied the brakes to the deterioration of the basic economic indicators of the development of the United States' oil and gas production, which could have been even greater.

Nonetheless, the potentially tremendous possibilities connected with a rise in the technical level of energy production should not be disregarded. In the eternal interaction of scientific-technical progress and natural conditions victory is achieved by turns, sometimes by one, sometimes by the other side, which predetermines the cyclical nature of the exacerbations of the global energy problem.

At all levels of man's evolution temporary discrepancies have arisen between the constantly growing volume of socially necessary energy requirements and the level of economically acceptable supplies attainable within the framework of its predominant production method. But on each occasion they have been overcome with the aid of new technical solutions.

#### Regional-Structural Factors of the Formation and Growth of Average-World Costs

The sharp change in the energy situation in the mid-1970's lent powerful impetus to the quest for ways to reduce finite energy resource production costs. Nonetheless, in all the main oil-producing parts of the world critical and average costs continued to rise, creating the objective economic basis for a further increase in prices. The authors' calculations of the dynamics of the costs of oil production corroborate this proposition, testifying also that:

the biggest (10- and ninefold respectively) increase in costs in the 1970's occurred in Latin America and the Near and Middle East, and the smallest (fourfold) in North America;

the absolute level of costs was the lowest in the Near and Middle East countries, and the highest in North America (1970) and West Europe (1980); and

there was an appreciable increase (by 10 percent) in the proportion of oil recovery in offshore and Arctic regions, where costs in 1980 were 2.2, 4.5 times higher respectively than onshore.

For the capitalist and developing countries as a whole the contribution of the Arctic deposits to the formation of average-world costs increased in the period 1970-1980 by a factor of 3.7 and offshore deposits by a factor of 1.7, while that of onshore deposits declined by a factor of 1.5, although the differentiation of these indicators by region is extraordinarily great. The share of the first two zones in average-world costs, which constitutes one-half even now, will continue to grow following the growth of their relative significance in world oil production and the involvement in industrial use of new deposits characterized by even more complex natural conditions. The regional structure of average-world costs has undergone

appreciable changes also. The share of North America has declined (by a factor of 1.8), that of the remaining oil-producing regions has increased: that of Africa by a factor of 1.1, Latin America 1.7, the Near and Middle East 1.8, South and Southeast Asia, the Far East, Australia and Oceania 2.7 and that of West Europe by a factor of 6.9.

In the author's calculations the contribution of the increase in specific expenditure and the change in the structure of world oil production to the aggregate growth of production costs appears thus:

almost 90 percent of average-world costs has been brought about by the increase in specific expenditure, whereas little more than 10 percent should be attributed to the change in the structure of world oil production;

the correlation of these two principal factors of the dynamics of costs is not equivalent with respect to different production zones. For the onshore deposits the main thing was the increase in costs, while the change in the production structure contributed to a lowering thereof. In the offshore and Arctic areas both factors operated in the direction of a growth of costs, but in the first case their contributions constituted 60 and 40 percent, but in the second 10 and 90 percent;

mention should be made of the impressive--57 percent--contribution to the growth of average-world costs of the offshore and Arctic deposits, yet their share of world oil production is relatively modest--30 percent; and

in terms of the integrated contribution to the growth of average-world costs thanks to both components first place belongs to North America (approximately one-third); then come Latin America, West Europe and the Near and Middle East, which contributed to this growth only half as intensively.

The overall hierarchy of the oil-producing areas in terms of their contribution (%) to the increase in average world-costs in 1970-1980 is such:

1.	North America	deposits onshore	16.7
2.	West Europe	deposits offshore	15
3.	North America	deposits in Arctic regions	13.1
4.	Latin America	deposits offshore	8.8
5.	Near and Middle East	deposits onshore	8.6
6.	Latin America	deposits onshore	7.9
7.	Near and Middle East	deposits offshore	7.1
8.	Africa	deposits onshore	6.4
9.	South and Southeast Asia, the Far East, Australia and Oceania	" offshore	6.2
10.	Africa	deposits offshore	3.7
11.	South and Southeast Asia, the Far East, Australia and Oceania	" onshore	3

12. North America	deposits offshore	2.6
13. West Europe	deposits onshore	0.9

Total 100

It should be noted that of the 13 regional-structural factors, the first three provided for approximately 45 percent of the total growth of average-world costs, which was connected with the involvement in industrial use of the deposits of the North Sea and Alaska and the arrival of the majority of America's onshore wells at the late stages of exploitation.\*

#### Profitability Norm: Levels and Dynamics

The 1970's spelled for the oil industry an increase both in costs and prices, but the discrepancy between them increased all the time, and as a result profitability increased continuously and is now measured for the main oil-producing regions in four-digit figures.

Indices of the Growth of the Costs, Prices and Profitability of the Production of Oil in Capitalist and Developing Countries<sup>1</sup>

	<u>Costs</u> <sup>2</sup>				Prices	<u>Profitability</u> <sup>2</sup>			
	I	II	III	IV		I	II	III	IV
Near and Middle East	7	12	--	8.8	16.8	2.5	1.5	--	2
Africa	5.7	8	--	6.5	15.6	3.1	2.4	--	2.7
Latin America	11.6	10	--	10.5	11.7	1	1.2	--	1.1
South and Southeast Asia, the Far East, Australia and Oceania	7.5	6.4	--	8.5	18	3	5	--	2.7
West Europe	4.5	--	--	7.1	11.1	3.5	--	--	2
North America	3.5	3.4	3.9	4	6.8	2.9	4.6	31.2	2.6
Total	4	6.7	3.9	5.3	12.3	3.9	2.3	31.2	2.9

<sup>1</sup> 1980 in relation to 1970; 1970 = 1.

<sup>2</sup> I = onshore deposits; II = offshore deposits; III = deposits in Arctic areas; IV = weighted average for all deposits.

Calculated from MONTHLY BULLETIN OF STATISTICS, United Nations, January 1980, p 171; January 1983, p 193; PETROLEUM ECONOMIST, December 1980, p 545;

\* In 1981, for example, marginal wells (with an average daily production of 0.4 tons) constituted 73.5 percent of the United States' operating exploited wells; they accounted for only 13.1 percent of national production.

"U.S. Department of Energy. Energy Information Administration. Annual Report to Congress. 1979," vol 2, Washington, 1980, p 75; OIL AND GAS JOURNAL, 31 January 1983, p 78.

This trend testifies, from our viewpoint, to the increased significance of the global economic, political and military-strategic factors determining together with natural conditions the movement of world prices of liquid hydrocarbon raw material. In other words, a new situation had arisen at the start of the 1970's which is contributing to the gradual conversion of oil and, in the future, other energy resources also into a commodity with special properties and with a system of price-forming on the world market distinct from other commodities. Among the special properties we put primarily:

the specifics of consumption: a suspension of supplies of energy carriers immediately leads to a production halt, as distinct from the means of labor, which are consumed on a lasting basis;

the shortage which arises periodically (which is not, as a rule, typical of finished products), particularly at a time of synchronous high economic growth rates of developed capitalist countries and the crises of underproduction of hydrocarbon raw material connected with critical situations, when the main thing in the formation of the price of oil is not its socially necessary cost but the physical need itself for the consumption of liquid fuel at any price intensified by the strategic nature of this commodity; and

the greater possibility than in the production of other commodities of the monopolization of production and the establishment of monopoly prices without replacement of the product; and the incomparably fewer possibilities of competition than in the production of finished, particularly technically complex, products.\*

Under these conditions a decisive role in the formation of prices is performed by marginal suppliers, which act as the regulator of the market balance on the part of supply. Such for crude are now the developing countries, mainly of the Near and Middle East. This region's contribution to the increase in 1970-1980 of weighted average (in terms of production) world prices constituted 42 percent, while that of Africa was 16, Latin and North America 14 and South and Southeast Asia, the Far East, Australia and Oceania 7 percent, the same as West Europe. The industrially developed capitalist countries thus occupy a low position in this hierarchy.

\* Despite the fact that from 1973 through 1983 OPEC's share of world oil production (excluding the socialist countries) fell from 68 to 44 percent, this organization's share of potential oil resources constitutes 60-70 percent, of proven reserves 75 percent and of exports 88 percent, which, we believe, repudiates the viewpoint of the experts who believe the temporary deterioration in OPEC's positions to be a regularity connected with the demonopolization of the sector.

## The Range and Trends of the Change in World Oil Prices (Continuing the Discussion)

Since the time when oil conquered the most vast markets its price has always been determined by an aggregate of economic, political, military-strategic and natural factors.\* However, their order of priority has changed at individual stages of economic development.

In the period of the domination in the world oil business of the oil cartel prices were largely determined by its policy, which was constructed on the "scissors" principle: monopoly low prices at the place of production and monopoly high prices at the place of consumption. This activity of the cartel was promoted by the concentration of oil production in a small number of areas with, as a rule, highly propitious natural conditions.

In the 1970's, in line with the rapid involvement in industrial use of deposits with more complex natural conditions and the corresponding growth of costs, the relative influence of the economic factor increased. For this reason price-forming for oil on the world market is currently, we believe, largely based on the firm economic basis of the growth of critical and average costs of its production.

The limits of the increase in oil prices are determined by the level of the cost of the production of its artificial analogue--hydrocarbon synthetic liquid fuel from bitumens, heavy oils, oil shale, coal and so forth--that is, energy resources whose treatment makes it possible to obtain the necessary spectrum of petroleum products or their substitutes for the spheres of the ultimate use of liquid fuel.

Any of the above-listed types of synthetic liquid fuel, the price of whose production at this time proves the least compared with the rest, could, we believe, act as a specific price-forming energy resource at different time stages. For this reason we do not share the viewpoint of authors who link the role of price regulator on the world market merely with one type thereof.\*\* Nor can we agree with those assumed as the upper limit of prices of oil the costs of the production of almost the entire sum of types thereof, namely, synthetic fuel "from coal, oil shale and bituminous sandstone."\*\*\*

\* The number of factors may be increased. It should be remembered, in particular, that all calculations on the world oil market are made in dollars. For this reason the dynamics of this currency's exchange rate, the United States' huge foreign debt, its colossal military spending and American banks' high interest rates ultimately exert a considerable influence on the movement and level of world oil prices.

\*\* Thus L. Vartazarova believes such a regulator to be heavy artificial liquid fuel from coal, but Ye. Khartukov believes it to be fuel obtained from the shaft-ground distillation of oil shale (see L.S. Vartazarova, "International Exchange of Energy Resources," Moscow, 1983, p 133; ACHIEVEMENTS AND PROSPECTS, inst. 20, ENERGETIKA. TOPLIVO No 4, 1982, p 61).

\*\*\* MEMO No 1, 1984, p 64.

It would seem to us that in accordance with the economic essence of the "long-run marginal costs" and "marginal supplier" concepts it is precisely the least production cost among the synthetic fuel types which will at each specific moment determine both the limit of the increase in oil prices and the scale of the involvement in industrial use of new oil deposits with increasingly complex natural conditions and the correspondingly progressive expenditure on prospecting and production.

It is possible to imagine theoretically also a situation arising where the costs of oil production under extreme conditions exceed the cost of the production of the most costly synthetic liquid fuel. If only some quantity of this supercostly natural oil is socially necessary, it is in terms of it that the upper limit of the long-run marginal costs for liquid fuel will be formed.

Furthermore, it is not costs (as some authors believe)\* but precisely the price of the production of a specific synthetic liquid fuel which will determine the upper limit of the increase in oil prices. The producer of a given type thereof must here be ensured above-average entrepreneurial income for only then, under the conditions of the market situation, can the broad-scale introduction of the appropriate new capital-intensive technology begin. There are therefore objections to the position of experts who in determining the conditions of the profitability of the production of synthetic liquid fuel put in the calculations of its minimum sale prices a profit norm of 5-6 to 8-9 percent,\*\* appreciably understating together with them the upper limit of the world oil price also.

In order for synthetic liquid fuel to begin to complete the oil supply balance the price of its production should be somewhat below the world oil price. We agree with this opinion,\*\*\* but cannot support the assertion concerning the need also for greater profit in its production than in oil production since it is contrary to the economic essence of long-run marginal costs, and the very possibility of exceeding the profitability levels which exist currently in the oil industry would seem highly dubious.

As far as the lower level of prices is concerned, the weighted average social production costs\*\*\*\* or "average costs of oil production under extreme conditions given greater demand than supply"\*\*\*\*\* can hardly serve as this inasmuch as this would not preclude the probability of a drop in the world price of oil to the levels of \$30 and \$90 per ton respectively, which are totally unrealistic for any conceivable situation on the market thereof. Nor can we agree with the authors who believe, for example, that the costs of oil

\* See MEMO No 10, 1983, p 59.

\*\* See "Oil and Gas Resources and Prospects of Their Development," Moscow, 1983, pp 145-147.

\*\*\* See MEMO No 1, 1984, p 65.

\*\*\*\* See ACHIEVEMENTS AND PROSPECTS, p 64.

\*\*\*\*\* Ibid., p 77.



production in the North Sea "are the lowest possible limit of a reduction in existing oil prices" and adduce here the highly diffuse range of a change in costs from \$89 to \$169 per ton.\* Also dubious is the position of the experts who consider this limit to be identically quantitatively preset (at the level of \$120 per ton in 1981 prices, for example), believing that it will ensure expanded reproduction in the worst production sectors, although they ascribe to the latter the sum total of such utterly different areas as the North and Norwegian seas, Alaska, Canada and Siberia and, furthermore, deep-sea deposits and the development of heavy oil.\*\*

In our opinion, the lower level of price fluctuations on the oil market is determined not so identically and precisely by virtue of the fact that it, as a commodity, possesses special properties. Furthermore, the levels of costs and prices are differentiated substantially by deposit and region, and the formation of their mean values is a highly complex and contradictory process.

Given the high level of monopolization of the oil industry, producers are capable of reacting promptly to a decline in demand by a reduction in production, as far as a complete halt. This permits the assumption that the lower limit of the world oil price will at each specific moment be determined by the level of costs, which are the highest for the deposits already being worked under extreme conditions, plus the profitability norm, the value of which will most probably lie somewhere in the middle between the norms of profitability which are the average for the industry as a whole and oil production.

The growth of demand and its exceeding of supply increase the lower limit of a change in the world price. Given a fall in demand, however, it could decline thanks to the fact that continuation of the exploitation of deposits under the worst conditions would be unprofitable and would be temporarily halted to bring supply into line with the new level of demand. Then the level of the drop in prices would be determined by the deposits under somewhat more favorable conditions and characterized by a somewhat lower production cost than the deposits and characterized by a somewhat lower production cost than the deposits whose exploitation has been halted.

Despite the reduced proportion of oil in the world energy balance and the growth of forecast estimates of the costs of the production of synthetic liquid fuel, the authors consider the most probable scenario of the development of power engineering to proceed from the prospect of an increase (at least up to the end of the century) in the demand for liquid fuel. In this case there is to be expected a further rise in both the lower and upper limits of the range of potential price changes on the oil market. The general long-term trend of the growth of the absolute and relative prices of this energy resource will continue, in our view, while their short-term dynamics will be of a fluctuating nature, as before. In this connection we regard the decline in nominal world oil prices which occurred at the start of the 1980's as a temporary, market phenomenon, which, furthermore, was not

\* See MEMO No 1, 1984, p 64.

\*\* See MEMO No 10, 1983, p 57.

accompanied by a decline in relative prices. They have remained as yet roughly at the 1980 level.\* Indeed, can there be any talk of some trend toward a reduction in oil prices in the long term if after an almost 20-fold (in the 1970's) increase in prices they were reduced only 15 percent under the impact of the unfavorable general economic and, consequently, oil market which took shape in the course of the crisis which synchronously embraced the capitalist world.

Therefore we do not share the viewpoint of authors who believe that OPEC's reduction (March 1983) of the official reference oil price, which entailed a certain fall in the level of nominal world prices, marks the start of a new stage in the development of power engineering--the stage of a reduction in world oil prices.

Proceeding from what has been said, the authors believe that in the long term, at least in the next two decades, the trends they have noted of the movement of costs, prices and profitability will be maintained by and large, although the growth of the two latter variables will hardly be preferential (compared with the first) to the extent that they were in the 1970's. The variant of a reduction in prices at the same time as a growth of production costs, that is, a compacting of the "zone of profitability" (which is hardly possible in manufacturing industry, where prices more or less automatically follow production costs), is also theoretically permissible. But for this it would be necessary for oil to lose all the characteristics of a commodity with special properties, and this is unlikely.

\* See MEMO No 3, 1984, pp 89-90.

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## BLOC SYMPOSIUM ON CONSERVATIVE SHIFT IN WESTERN ECONOMIC POLICY

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[Report on international symposium: "Crisis of state-Monopoly Regulation  
and its Reflection in Bourgeois Political Economy"]

[Excerpts] An international symposium was conducted from 30 October through 1 November 1984 in the USSR Academy of Sciences Institute of World Economy and International Relations [IMEMO] on the theme "Crisis of State-Monopoly Regulation and its Reflection in Bourgeois Political Economy," which was organized within the framework of the activity of an international working group for a critique of bourgeois economic theories of the socialist countries' academies of sciences' problems commission "Study of Modern Capitalism". Specialists from Bulgaria, Hungary, the GDR, Poland and the CSSR and IMEMO associates took part in the symposium. The session of the symposium was opened by IMEMO Director A. Yakovlev.

### A. Yakovlev: Opening Remarks

The symposium of Marxist scholars of socialist community countries is devoted to a broad theme connected with the intensification of the general crisis of capitalism and its manifestations in bourgeois political economy. At the center of today's discussion is the problem of the conservative shift in economic theory and policy. This is a phenomenon largely determining the foreign and domestic policy of the imperialist countries, the intensity of the ideological struggle and the nature of the changes occurring in socioeconomic thought.

As historical experience shows, two basic paths have emerged in the development of state-monopoly capitalism. One is that the avowed violence and militarism. The other is the path of reformism. In the 1950's-1960's all the developed capitalist countries opted for themselves under the influence of the powerful upsurge of the workers and democratic movement this version or the other of the second path.

It seemed that reformism in all its varieties had become firmly rooted in ideology and economic policy. It was also correspondingly officialized in the system of orthodox political economy concepts, among which the leading role was undoubtedly performed by Keynesianism.

The second half of the 1970's was marked by fundamental changes in the development of state-monopoly capitalism and its ideology.

What was new was a considerable strengthening of the reactionary forces, which brought about the elevation of a conservative wave in ideology and policy, on the crest of which rightwing circles of the monopoly bourgeoisie came to power in a number of developed countries--the United States, Britain, the FRG and Japan. The conservative ideology marks a departure from liberal and social-reformist illusions, a toughening of the positions of the monopoly bourgeoisie in respect of its own working class and open defense of the interests of monopoly capital and, particularly, the military-industrial complex within the country and abroad. It is organically linked with the intensification of the struggle against socialism and substantiation of the policy of militarism and cold war.

Having swept over bourgeois ideology and culture, the conservative wave has shifted economic policy and bourgeois social and economic thought in the direction of conservatism. Even in countries where reformist circles have retained their political positions the stimulation of conservative forces and the deterioration in the conditions of reproduction are shifting the policy of the ruling circles to the right.

A whole number of questions arises in this connection. Why did the exacerbation of the contradictions of the 1970's caused by an interweave of cyclical and structural crises provoke precisely a conservative reaction of the monopoly bourgeoisie? What are the political and economic reasons for this reaction? On what theoretical concepts is conservative economic policy based?

An analysis of the objective foundations of the right-conservative shift is important since their influence will evidently continue in the future, irrespective of this political rearrangement or the other in the bourgeois camp.

Conservatism as an ideological-political current and its reflection in bourgeois political economy is not something uniform and homogeneous. The political spectrum of conservatism extends from moderate conservatives to the extreme right, which is prepared for the sake of the extirpation of communism to consent to the unleashing of a thermonuclear war. In the sphere of economic theory we encounter the most diverse views--from the opponents merely of "excessive" state intervention in the economy, whose positions differ only slightly from the liberal-bourgeois reformists, through the reactionary-utopian supporters of the complete dismantling of state regulation.

As far as economic policy specifically is concerned, what is required here is a particularly thorough analysis exposing antistatist demagogy and at the same time ascertaining the true scale and nature of the actual changes in the structure of relations between the state and the economy.

The discussion of all these problems is ultimately intended to provide an answer to the main question: is conservatism capable of finding paths of the long-term stabilization of the capitalist economy and ensuring a lengthy economic upturn? It is important that we elucidate the economic and sociopolitical price of such a stabilization and the contradictions engendered by the conservative model of the development of state-monopoly capitalism.

Nor can we overlook the trends which are continuing to develop in the liberal- and, particularly, radical-reformist camp of Western socioeconomic thought and which are being reflected to a certain extent in the economic policy of the social democratic and socialist governments of a whole number of states (France, Spain and others). The representatives of this camp by no means reject the need for broader forms of state intervention in economic development, primarily in the sphere of the solution of structural and social problems, seeing them as the sole possibility of alleviating the entire set of socioeconomic contradictions of present-day capitalism.

I. Osadchaya, S. Peregudov: Modern Conservatism and the Search for Paths of the Socioeconomic Stabilization of Capitalism

In roughly a decade, from the end of the 1960's through the start of the 1980's, the new conservatism has been converted from a predominantly ideological current created by the efforts of comparatively narrow groups of the bourgeois intelligentsia into a social phenomenon largely determining the socioeconomic and political climate in the West.

What objective sociopolitical and economic circumstances brought about the conservative shift? What are its ideological sources and forms of manifestation? What prescriptions for the stabilization of the capitalist economy ensue from its theoretical concepts? This is the set of questions which we would like to examine.

#### Sociopolitical Sources

The upsurge of the conservative wave was caused by the action of a multitude of factors connected with the intensification of the internal contradictions of capitalism and the strengthening of the most reactionary circles of the monopoly bourgeoisie and the increased power of the transnational corporations.

In analyzing the causes of the conservative shift, primarily from the viewpoint of the change in the domestic policy of a number of developed capitalist countries, we distinguish a number of other factors connected with the upsurge of the worker and domestic movement of the 1960's-1970's and the general deterioration in the conditions of reproduction in the 1970's.

"...Imperialism," V.I. Lenin pointed out, "does not halt the development of capitalism and the growth of democratic trends in the mass of the population but exacerbates the antagonism between these democratic strivings and the antidemocratic tendency of the trusts."\* The exacerbation of precisely this antagonism as a result of the emergence of the new social and political situation in the Western countries at the end of the 1960's was a direct stimulus to and a most important reason for the strengthening of conservative trends in ideology and socioeconomic thought. We would recall that in that period the civil rights movement and the movement against the Vietnam war were widespread in the United States, powerful eruptions of class conflicts had occurred in France and Italy and there was a striking stimulation of the worker and democratic movement in Great Britain, Japan and a number of other countries. The influence of the trade unions and their capacity for winning concessions in both the economic and political plans had increased markedly. The trade unions began to play a certain part in the mechanism of the distribution of the national income and determination of the wage: profit ratio. In the 1970's they opposed (albeit with a far from identical degree of resolve) the policy of economies designed to bring down the rate of inflation by way of a wage freeze or cuts, that is, at the expense of the working class.

The attempts of the state and employer organizations to come to an arrangement with the unions concerning such restrictions within the framework of an incomes policy or by other methods resulted in failure in the overwhelming majority of cases. This lesson served for the ruling class and its ideological-political representatives as a most powerful stimulus to a revision of the evolved system of relations between labor and capital both at the micro- and macrolevel.

Together with the intensification of the open struggle between labor and capital another confrontation, which was not so striking but which was no less important in terms of its nature and consequences, had also assumed quite extensive proportions by the end of the 1960's. The attempts of the working people's masses and their organizations to introduce different versions of intervention in the control of production were stepped up. Big capital and the bourgeoisie as a whole sensed a growing threat to their positions in the "base" sector of capitalism's social relations.

The expansion of social programs and the increased spending on social insurance and other social needs which had occurred under the impact of the mass worker and democratic movement not only demanded of business certain sacrifices (basically in the form of taxes) but also contributed to a strengthening of the social and political positions of the working people. Of course, in consenting to these concessions the bourgeois state proceeded primarily from the interests of the bourgeoisie and a strengthening of the economic and sociopolitical stability of capitalism. The increase in state regulation of the socioeconomic sphere was realized together with business' intervention in the policy sphere. This brought about their organic interpenetration and afforded the monopolies

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\* V.I. Lenin, "Complete Works," Vol 30, p 102.

an opportunity to take root more deeply in the sphere of politics and political power, which suited the monopolies perfectly. The more so in that state intervention in itself contributed to a mobilization of the potential of state-monopoly capitalism, and its socioeconomic results were evaluated positively by and large by the corporations.

However, as of the end of the 1960's-start of the 1970's the situation began gradually to change. First, like the bourgeoisie as a whole, the monopoly bourgeoisie began to be worried by the scale of state intervention and fears of the possible negative consequences of excessive economic power of the state. Second, the rapid process of the concentration of capital, particularly in the 1960's, which had brought about the appearance of giant transnational corporations, had led to the emergence of a certain discrepancy between the scale of these formations and the limitations which had been caused by the increased socioeconomic intervention of the state. Whence the aspiration to a plenitude of power in their own "empires," a strengthening of economic independence and a new "redistribution of power" between private business and the state--to the benefit of the first. The entrepreneurial class, including its management part, began to understand increasingly clearly that in assuming an increasingly large part of the functions of economic control and increasing the burden of "social responsibility" the state limits private business' opportunities to individually control the reproduction process even within the framework of the private-capitalist sector itself. Merely a fleeting acquaintance with publications reflecting the viewpoint of big business of this period (the American FORTUNE, the British THE DIRECTOR, the French ENTERPRISE and so forth) suffices for one to see for oneself how vehement was the increased dissatisfaction of private entrepreneurial circles with the growth of bureaucratic intervention and how extensive was the popularity in this milieu of the slogan of a return to free enterprise.

The general growth of mass assertiveness at all levels and the concessions to which the state consented prompted a whole number of prominent bourgeois ideologists and sociologists to advance at the end of the 1960's the proposition concerning the growing uncontrollability of bourgeois society and the "chaos of pressures" disrupting the normal political process. It was such arguments which served in the majority of cases as the initial base for the formulation of the ideological-political postulates of neoconservatism, imparting a conservative nature to all its aspects and manifestations. The main task of the intellectual and sociopolitical circles which were the initiators of neoconservatism was an emphatic severance of the trend in the development of the social relations of capitalism which had been strengthening throughout the postwar period and which was characterized by the increased influence of the masses, primarily the working class, not only at the local, industrial, but also to a certain extent at the political and state levels.

However, it needed the economic upheavals of the 1970's for this general readiness of the ruling circles for a decisive conservative change and a rejection of the liberal, Keynesian policy in state regulation of the economy to become a reality of the economic policy of the developed capitalist countries.



The Keynesian system of regulation, which was oriented predominantly toward the control of demand for the purpose of stabilizing economic growth and smoothing out market fluctuations, had been undermined by the effect of a number of factors.

The prices of certain raw material and energy commodities rose in the latter half of the 1970's. Capital accumulation was impeded, capital-intensiveness began to increase, labor productivity growth slowed and as a result there was a reduction in the profit norm. All this combined with the need to adapt national economic structures to the new situation in the international division of labor required an increase in the proportion of accumulation at the expense of consumption. The former economic strategy, which had been geared to a considerable extent to an expansion of consumption and demand, failed to correspond to this goal. The socioeconomic functions of the state, which were closely linked with such a policy, came into sharp conflict under these conditions with the interests of the private-monopoly accumulation of capital and also of the military-industrial complex, which was demanding an increase in military spending.

A big part in the devaluation of the old system of regulation was played by the increase in inflation under the conditions of the general slowing of the rate of economic development and increased unemployment. The state was confronted with the problem of how to ensure a growth of production and employment without stimulating here even greater price rises and how to combat inflation without deepening the recession here and without increasing the already vast unemployment. Additional complications were introduced by the internationalization and intensification of economic relations and the increased degree of "openness" of the capitalist states' economy. Under these conditions the actions of a government of some one country to stabilize economic conditions could easily have been frustrated by opposite actions in another country. And employment itself had become as a consequence of profound structural changes which had changed the nature of modern unemployment considerably less susceptible to inflationary methods of its regulation.

The growing inefficiency of the functioning of the machinery of state itself and its expansion and sluggishness in the implementation of economic decisions were revealed also.

Not everywhere was the management of enterprises of the public sector sufficiently flexible to bring them up to the foremost boundaries of technical progress and make them economically profitable. The policy of artificially low prices for the products of the regulated or nationalized sectors, which exacerbated extremely the problem of their efficiency and competitiveness within the framework of the capitalist economy, contributed to this in a number of instances.

As a result of the interweaving of all these social, political and economic factors the reformist model of the political and economic functioning of state-monopoly capitalism which had taken shape in the postwar decades and which until comparatively recently had seemed to many people in the West as virtually ideal was seriously undermined.



## Neoconservatism and the State

The conservative change is aimed at a considerable reorganization of the socioeconomic and political control of capitalism. It is a question not simply of a technical change of instruments of this policy but of the advancement of a fundamentally new sociopolitical orientation aimed at the restoration of a number of positions yielded to the class enemy in the preceding, relatively felicitous period of capitalist development.

If we take not only the propaganda but also "scientific" research of conservative ideologists and politicians, the problem of "freedom of the individual," which is being "infringed" increasingly by the state, is perhaps brought to the forefront of the majority of it. The impression is created here (and entirely deliberately) that the antistatist propensities of modern conservatives are virtually in unison with the antistatist sentiments of the masses and are a response to them and are intended to change the existing situation in their interests.

In practice, however, the neoconservatives are by no means opposed to the "big state" and state bureaucracy in general. The entire spirit of their attacks is aimed merely against the aspects of state activity which are to the greatest extent subject to the influence of the class struggle and mass assertiveness generally. This applies primarily to the socioeconomic departments, the attack on which is also being conducted for the purpose of weakening the state's direct intervention in the affairs of private business. There is another, even broader task--depoliticizing and privatizing the social relations of capitalism to the maximum, delivering the state from excessive involvement in the conflict between labor and capital.

Attention to the purely political and repressive functions of the state for the purpose of making labor laws tougher is correspondingly being sharply increased. Antiworker and anti-union laws designed to complicate to the maximum the use of the most effective weapons of the working people's struggle for their interests--the strike--and outlaw acts of solidarity with strikers are being drawn up and implemented. The role of the judicial system, with the aid of which interference in the internal affairs of the unions is being practiced and a blow struck at the most militant of them, is being increased appreciably.

And it is by no means fortuitous that the flirting with such ideas is being accompanied among the neoconservatives by the candid proclamation of the tasks of creating a "strong state" and strengthening the power of authority and the parading of the "law and order" slogan. It is thus that they understand the efficiency of state administration, and it is precisely such a line and not antistatist phraseology which constitutes the essence of their official policy.

It is significant that while pursuing a policy of privatization of the socioeconomic functions of the state neoconservatives do not even raise the question of a relaxing of the intervention of private business itself in the political control exercised by the state. True, there is mention in their

theoretical developments in most general form of the need for a reduction in the role of pressure groups in politics for the purpose of restoring the significance of purely political organizations and institutions. Business organizations also are sometimes mentioned here, inter alia. However, the entire spirit of such arguments is aimed at weakening the political role of the mass nonparty organizations and movements of the working people, primarily the unions and the antiwar, women's, youth, economic and other movements. As far as big business and its groupings is concerned, it is mentioned in the general category of interest groups purely formally, as a rule. Convincing proof of this proposition is the political practice of the neoconservatives. As is known, both in Great Britain and the United States following the assumption of office of neoconservatives the political role and influence of the monopolies and their intervention in the political process and state policy not only did not diminish but, on the contrary, increased noticeably. And whereas previously even the influence of big business and the closeness with the influence of so-called interest groups of working people, now, as a result of conscious and purposeful opposition to these latter and, on the other hand, the establishment of most-favored status in respect of business pressure groups its political authority has increased even more.

This does not mean, of course, that the proposition concerning the relative independence of the state no longer corresponds to reality. Even in countries where the conservatives have established themselves in power quite firmly the state has by no means become a puppet of the monopolies and politicians their assistants. The factors which brought about this independence, including the socioeconomic role of the state, the impact of the forces opposed to big capital, the need to heed public opinion, contradictions in the bourgeois camp itself and, finally, the special position of the state as an institution rising above society remain. And present-day conservatives' very orientation toward a "strong state" is by no means aimed at a weakening of the special role of the state and state power. It is therefore a question not of a strengthening of business at the expense of the state or of the state at the expense of business but of their simultaneous strengthening as a counterweight to the mass movements and organizations.

The orientation toward a "strong state" by no means signifies that the conservatives aspire to use merely power methods in relations with the masses. They are not in a position to renounce state intervention in social processes and the sphere of social relations. While sometimes advocating virtually the complete dismantling of the "welfare state," by which is understood the system of state social services which was created after the war, they are by no means encroaching on the system as a whole. Their purpose lies elsewhere--imparting to the entire system of social service a state-private nature and differentiating it in order, first, to strengthen the role of private business in this sphere also, expand the sphere of the application of capital and the extraction of profits and thereby contribute to a general strengthening of the positions of the bourgeois class. Second, such differentiation is designed to sharply reduce the element of the relative reliability of the various types of social service which is characteristic of the "welfare state" of the old type and a most appreciable gain of the working people in the postwar period.

Of course, all this is more an ideal outline to which the conservatives aspire, and they are successful in realizing it far from always and everywhere. However, even the comparatively small successes which they have scored on this path are doing serious damage to the interests of the working people, weakening their unity and capacity to resist in the struggle for their economic demands and handling business additional levers of pressure.

While proclaiming the ideas of the "strong state," "law and order" and so forth neoconservatives at the same time are not questioning bourgeois-democratic rule of law as such. Their purpose is to tighten up this rule of law to the maximum and put the worker and democratic movement and the entire political and socioeconomic assertiveness of the masses under strict control without disrupting the facade of the edifice, so to speak. They proceed here from the fact that the potentialities of bourgeois democracy as the form of political organization of bourgeois society are by no means exhausted and that, given skillful use of the levers of social and political pressure and compulsion and given a general strengthening of the positions of the state and the ruling class, it is possible to exercise political control effectively even within the framework of this rule of law.

Despite all this, there is a perfectly definite thrust toward a toughening of the regimes, and it is by no means only in programs for implementing antiworker and anti-union legislation, strengthening the judicial-political machinery and so forth. It is also in the trends toward authoritarianism and the cult of strength and the contrast between the elite and the masses which are organically inherent in neoconservatism as a political current.

#### The Conservative Shift and State Regulation of the Economy

The conservative shift in the system of theoretical concepts substantiating the goals, scale and forms of state intervention in the economy signifies important changes. The crisis of the Keynesian model of state regulation of the economy and the crisis of bourgeois political economy of the 1970's which it brought about and the sharp criticism of Keynesian theory and policy brought to the forefront a whole number of conservative theories and concepts. True, present-day conservatism has not created a generally recognized economic-theoretical system. In the sphere of economic theory conservatism relies currently on several theoretical schools of varying planes and scales: a prominent place among them is occupied by monetarism, which began to be developed back in the 1950's as an alternative to Keynesian theory; so-called "supply-side economics," about which much was written in the United States on the eve and at the outset of the 1980's; and the theory of rational expectations, whose supporters are engaged more in the continued development of subjective methodology presupposing that economic subjects are capable of anticipating the actions of the state and adapting to them. These schools derive their initial theoretical principles from, as a rule, the legacy of the neoclassical and neoliberal schools of bourgeois political economy. And in this sense they are, we believe, a further development of the process of "neoclassical revival" which began to unfold in bourgeois political economy approximately on the eve and at the outset of the 1960's (it was then that the first monetarist works of M. Friedman appeared, neoclassical growth theory came to be developed and so forth).

Economists of a conservative stripe advocated a revision of Keynesian notions on many economic problems. J. Keynes, as is known, declined an analysis of the central problems of the neoclassical school--the problems of value, price-forming and income distribution under the conditions of free competition. It is not the market and competition but the level of effective demand determined jointly by accumulation and consumption and also state spending--such, according to Keynes, is the key to the full use of resources and the equilibrium of the economic system.

Criticizing Keynes' macroeconomic approach, the modern heirs of the neoclassical school assert that the market and competition are the best mechanisms of the optimum use of resources and the establishment of economic equilibrium.

Keynes and the Keynesians also linked the dynamics of employment with the dynamics of effective demand. They regarded unemployment brought about by a lack of demand as enforced.

Rejecting the theory of effective demand and the concept of enforced unemployment, the conservatives are adopting a whole number of new theories--the theory of a "natural unemployment norm" and the "new microeconomic theory of unemployment"--linking the level of unemployment with the specific features of the labor markets and the singularities of the supply of manpower itself. All these theories regard unemployment as "voluntary". Furthermore, it is asserted that the excessive growth of social payments on the part of the state weakens incentives to work and contributes to an increase in "voluntary" unemployment, while a policy of full employment merely contributes to inflation and increases disproportions in the labor market.

Keynes cardinally revised neoclassical savings theory. To a basic tenet of the neoclassical school, according to which savings determine investments, he counterposed the proposition according to which it is investments which determine the level of savings. Society as a whole, in his opinion, saves no more, no less than businessmen wish to invest.

The Keynesian concept of savings is being criticized particularly sharply today. Supporters of the neoclassical school consider the inadequacy of savings the main reason for the low rate of capital accumulation and see as a basic goal of economic policy--together with limiting inflation--stimulating savings. The stimulation of savings, they believe, will also encourage capital investments, increasing the rate of capital accumulation.

But there follow from this cardinally opposite conclusions concerning economic policy. Keynesian theory asserted that since savings are tuned to investments, policy should be geared primarily toward stimulating investments by way of expanding demand, consumer demand included, and reducing interest rates.

The neoclassical adherents believe that since savings are the limiting factor of accumulation, a policy of reducing consumption is essential. And inasmuch as interest is an instrument of stimulating savings, consequently, a policy of high interest rates encouraging savers is needed.

Keynesians (leftwing particularly) regarded the more even distribution of income with the aid of taxes as a condition of the expansion of demand and the stimulation of investments.

But it is precisely the unevenness in income distribution, the significance of the highest income levels from the viewpoint of the formation of savings, the need for a reduction in the maximum norm of taxation and a reduction in the scale of the progressive system of taxes for stimulating savings--all these problems are brought to the fore by the contemporary heirs of the neoclassical school in the shape primarily of representatives of "supply-side economics".

Keynesians proclaimed as the basic instrument of controlling effective demand for the purpose of smoothing over cyclical fluctuations and increasing the growth rate budget policy, particularly state spending. They saw these as the main means of stimulating investments and consumption. Credit-monetary policy was to have performed, in their opinion, an auxiliary role, adapting itself to budget policy and helping maintain low interest rates.

The supporters of "supply-side economics" and monetarists in general reject the expediency of the anticyclical regulation of demand, regardless of what levers of economic policy are employed here. State regulation of demand disrupts, they believe, the action of market forces and in the long term leads merely to increased inflationary trends. The best that the state can do, the supporters of "supply-side economics" believe, is to reduce taxes, thereby contributing to a growth of savings and increasing private incentives to investment and employment. As far as monetarism is concerned, it advocates the priority of a strict credit-money policy independent of the state of the market and aimed primarily at limiting inflation. The main function of the latter is control of the money supply in accordance with a certain "rule," that is, the level corresponding to the long-term growth rate of the economy. Monetarists believe that this is the main condition of stable noninflationary growth. Everything else should be effected by the free play of market forces.

Whereas for Keynesian monetary policy the main criterion was the level of interest rates (the need to lower or raise them), for monetarists it is the stability of the growth of the amount of money in circulation. As far as interest rates are concerned, although monetary policy will influence its nominal level, actual interest (like the actual level of national income, the actual level of employment) will, they believe, be determined by other factors--primarily the correlation of demand and the supply of savings.

A most important proposition of Keynesianism, according to which a budget deficit and, consequently, state borrowing, by mobilizing capital seeking profitable investment, increase aggregate capital investments, is coming in for sharp criticism. There is talk increasingly often now of the problem of state borrowing ousting private investors from the capital market and of competition on the part of the treasury driving up--under the conditions of strict monetary policy--interest rates. Budget deficits have come to be regarded as a most important limiter of private capital investments.

A shift of priorities in the state's economic policy is characteristic of all these countries. Instead of "full employment" and increased prosperity, the fight against inflation and a sharp improvement in conditions for the profitable accumulation of private capital are declared the priority goal.

A departure from market policy and a policy of stabilization of the economic cycle in favor of the development of a long-term strategy of economic growth and the solution of structural economic problems can be observed.

The conservative concept demands a diminution in the role of budget and credit-monetary policy as instruments of anticyclical regulation. Furthermore, while stressing the paramount role of credit-monetary policy in combating inflation it orients it toward maintaining a certain growth rate of the money supply (the so-called targeting of monetary units), irrespective of the state of the market and the level of employment.

For the purpose of an increase in the accumulation norm conservative policy proposes a sharp limitation of the role of the budget as an instrument of redistribution of the national income. Whence the universal aspiration to economies in social spending and also the extensive use of tax policy (a reduction in taxes, primarily for the highest income groups; special tax measures, tax credit and policy in the sphere of depreciation deductions) for encouraging the growth of private savings and net profit remaining at firms' disposal. These measures are regarded as a general long-term policy of stimulating savings and capital investments and increasing on this basis the economic growth rate.

Conservative policy demands a limitation of direct forms of intervention in price-forming processes and also administrative and legislative enactments pertaining to environmental protection and safety equipment in industry.

A most important feature thereof is the reduction in grants and subsidies to industry and the increased selective nature of assistance to the private sector on the part of the state.

Conservative strategy presupposes an abandonment of nationalization as a method of solving the problem of the comprehensive development of the capitalist economy, particularly as a method of supporting crisis sectors; and a policy of the reprivatization of nationalized enterprises, the privatization of public works and social services and the expansion of the private sector in the solution of social problems.

Thus it should be concluded that whereas the liberal Keynesian model of regulation of the economy, emphasizing the need for the expansion of demand, incorporated the idea of concessions in favor of the working people, conservative strategy, on the other hand, signifies a limitation of the working people's rights, their reduced participation in redistribution of the national income and the encouragement in every way of the interests of the owners of capital.

The ineffectiveness of Keynesian policy of controlling demand is also argued by the fact that there has allegedly been an appreciable change in the economic subject itself and its behavior. So the supporters of the theory of rational expectations assert. Any attempt to expand demand with the help of an increase in the money supply merely leads to informed and rational participants in the production process, anticipating future price rises, doing everything possible to increase their nominal income ahead of time. As a result there is instead of the contemplated growth of production merely the next inflationary price rise. Conservative theorists are making extensive use of this argument to substantiate the futility of state intervention in the economy by way of manipulating the demand for money.

It is not possible to make a simple evaluation of these new trends in bourgeois political economy. Conservative criticism undoubtedly touches on a whole number of vulnerable positions of Keynesian economic theory and the practice of regulating the capitalist economy. When conservative economists write about the inflationary nature of Keynesian prescriptions of deficit financing, the optimum norm of taxation compatible with capitalist principles of management and the problems of private capital being ousted by state borrowing, they are writing about actual contradictions of the capitalist economy. The real significance of conservative criticism is that it essentially advances problems connected with the objective limits of the old forms of state intervention in reproduction processes and lays bare its class nature.

At the same time, however, it has to be seen that conservative criticism is frequently leveled from even less realistic positions than Keynesianism when it attempts to ascribe to modern capitalism attributes which it shed long since, particularly the attributes of free-competition capitalism.

Even more material, however, is the fact that the arguments of conservatives counterposed to Keynesian theory and practice of regulating the economy reflect and theoretically formulate in one way or another the conservative shift in economic policy signifying monopoly capital's broad offensive against the rights and gains of the working people.

Despite the antistatist demagogy and defense of the market mechanism of free enterprise, conservatism in economic theory (although present therein is undoubtedly an entire spectrum of ideological nuances) and, even less, in actual economic policy by no means signifies a rejection of state intervention in the economy. The idea of "deregulation" is a myth. At the same time, however, it has to be emphasized that it is a question of important changes in the correlation of the state and private-monopoly mechanisms of the regulation of the economy in favor of the latter and of a narrowing of the scale of direct state of intervention in the economy. The economic theories of conservatism and the experience of the economic policy of the rightwing-conservative governments of the United States, Britain and the FRG enable us to provide a certain generalized idea of the characteristic features typical of the conservative version of economic policy proper.



The myth of "deregulation" and the revival of free-competition capitalism essentially substantiates the goals and methods of an economic policy designed to abruptly change the distribution of the national income in favor of monopoly capital and an increase in the state's military spending and also to appreciably undermine the organized power of the working class and its trade union rights and privileges.

Conservatism entails a threat to the economic position of the broad working people's masses of the capitalist countries. The experience of a number of countries--the United States, Britain, the FRG--where conservative parties have assumed office, testifies to this. A shift in priorities in economic policy --the fight against inflation and attempts to rein in the trade union movement, raise labor discipline and carry out capitalist rationalization on the basis of an increase in unemployment, the washing away of economically inefficient enterprises, reduced taxes for corporations and persons with a high income and a reduction in budget appropriations for social needs--these basic features of conservative economic policy are characteristic of all these countries.

But it is precisely this that is the main source of the weakness of the conservative model of the solution of the problem of the socioeconomic stabilization of capitalism. It fails to provide for a strengthening of political stability and the creation of some new consensus. It is not fortuitous, therefore, that we are currently encountering growing skepticism apropos the possibility of society's prolonged and comprehensive "recovery" based on purely neoconservative prescriptions.

#### Reformism and Post-Keynesian Prospects

The upsurge of conservatism, which has exerted a decisive influence on socioeconomic theory and policy in a number of capitalist countries, cannot screen off the processes which are occurring in the camp of the supporters of liberal and radical-reformist (particularly social democratic) concepts of the regulation of the economy, which are based, as a rule, on Keynesianism in all its variants--from orthodox to left.

Two lines of the incorporation of Keynesian theory in some new synthesis (like the "neoclassical synthesis" of the 1960's) allegedly capable of being the theoretical basis for a more efficient policy of state control of the economy merit attention.

Much is being written currently about so-called "keynesian-monetarist synthesis". Its meaning is such: without changing the orthodox interpretation of Keynesian theory as an individual instance of neoclassical theory of general balance, supplementing it with monetarist propositions concerning the role of money in the economy. In the sphere of economic policy it is a question of reducing the role of budget levers of regulation in favor of the greater use of credit-monetary policy in the fight against inflation.



The supporters of "post-Keynesian synthesis" are active also. This synthesis grows on a highly eclectic basis of various unorthodox theories of bourgeois political economy, primarily left Keynesianism and institutionalism. In the political plane its supporters are primarily the social democratic parties, particularly the left-centrist currents, and also the liberal groupings close to them. Post-Keynesianism presents a modernized reformist program aimed at an appreciable expansion and resumption of state intervention in the economy.

Of course, under the conditions of the rapid growth of inflation present-day post-Keynesians adopt an extremely cautious attitude toward the former expansionist budget policy. They advance to the fore the need for the development of a long-term strategy of regulation based on the planning of the economy or various forms of industrial policy. Profound structural changes in the economy and the solution of a whole number of global problems are possible, they believe, not on the basis of market stimuli but only with the help of state planning.

Nor do they reject anticrisis regulation based on Keynesian prescriptions of the expansion of effective demand. However, they stress that a policy of stimulating demand (that is, an expansionist policy) must be closely linked with an incomes policy. It is precisely in an incomes policy based on conditions of national consent that they see an opportunity for the simultaneous solution of the problem of employment and inflation, which is beyond the capacity of traditional methods of budget and credit-monetary policy, which are by nature designed to solve either the problem of inflation or that of employment.

This path of realization of the reformist variant of economic policy is evidently capable of alleviating the most explosive manifestations of the current crisis, revealing here new possibilities of the struggle for the realization of a genuinely democratic alternative to the conservative militarist policy of the most reactionary circles of monopoly capital.

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## WESTERN 'OPTIMISTS' REFUTED ON SOCIAL EFFECTS OF COMPUTERS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2,  
Feb 85 (signed to press 16 Jan 85) pp 102-111

[Article by G. Ikonnikova: "Optimistic Wave of the Sociology of 'Technological Determinism'"]

[Excerpts] Among bourgeois ideologists the most attractive prototype of the "information," "computer" society is considered Japan, which in many spheres of the practical use of electronics is ahead of its Western partners. Bourgeois sociologists' attention is attracted by the existence in Japan of highly automated assembly lines, computer control of production and expanded industrial robotization. And the fact that Japan has scheduled for the current decade a fundamental retooling in five basic spheres: data processing, new industrial materials, aerocosmonautics, new energy resources and biotechnology has made it even more attractive for the "technological determinists". The changes taking place in Japan are compelling them to ponder a number of questions. How is Japan's so rapid leap forward in technological development to be explained? In what direction will it continue? Is the path along which Japan is moving common for all "industrial societies"?

One of these questions is answered by, inter alia, the French sociologist J.-J. Servan-Schreiber in his futurological book "Le defi mondial,"\* showing that the possibilities of information science, robotics and so forth are opening a "successful path" for mankind.

Believing that Japan's contemporary development is the future of all "industrial societies," many "technological determinists" propose that this country's experience be used in the accomplishment of a technological revolution, particularly in the sphere of management and the training of manpower capable of rapid reorientation in accordance with changing production demands. They agree with the assertion of Japanese managers that there are no class contradictions in Japan but the "cooperation" of workers and managers, the "custom" of working in concert for the "common good" and also "a sensitive perception of foreign ideas and models" (the reference being to the extensive introduction of foreign technology in production and management). It has to be

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\* See J.-J. Servan-Schreiber, "Le defi mondial," Paris, 1980.

noted that an actual process of an improvement in communications equipment and technology and an increase in the role of information, which is employed extensively not only in production but also in the management sphere, is being superimposed on these illusions. As T. Sakimoto, president of the Japanese Nippon (denki) company, observes: "...the growing refinement of computer systems and their expanded application together with other important technological processes, particularly in the communications sphere, is laying the foundations for a new type of industrial society. Technology is not only changing civilization but creating a new one whose characteristic features are destandardization, flexibility, collectivism, decentralization, optimism and a diversification of authority."\* "This idea is also popular with A. Toffler in the book 'The Third Wave,'\*\* in which he also speaks of the development of the said trend, but only we call it the wave of 'C and C'--computers and communications." A. Toffler undoubtedly hypertrophies in a bourgeois spirit the corresponding trends in the development of the means of production of the economically developed countries, but confuses production processes here with phenomena of a socioeconomic, political and spiritual order. The new technology wave affords allegedly extensive opportunities for regulating relations between employers and performers since it creates conditions making it possible, in his opinion, to go beyond the framework of economic problems proper, addressing phenomena of a most diverse nature: ecological, moral-ethical, political, racial and social. A. Toffler does not, however, examine the question of the relations of labor and capital. They are for him axiomatic--private ownership of the means of production is eternal, unshakable and inviolable. While the "new technology wave" is a process which is so "revolutionary" that it precludes any class struggle and social revolution. The American sociologist substitutes for the present-day class struggle the struggle between the supporters of the "second" and "third" waves. Changes in the political system, on the other hand, will not, he believes, require the emergence of the broad masses in the arena of political activity and the seizure of power but will occur under the impact of computer technology: television and other communicative means will allegedly enable each citizen to take part in political events.

This idea is not new: it has been developed since the 1960's by another American political scientist and sociologist--Z. Brzezinski. A. Toffler merely adapts this idea to the interpretations of the new "twist" of the scientific-technical revolution, showing here the possibility with the aid of computer technology of changing the political system of society. Socioeconomic problems in the true meaning of the word do not exist for him, and he separates himself from them, also bypassing in silence the fact that the use of robots, computers, the latest achievements of microelectronics, new technology, means of transport and communications and the organization and control of production under the conditions of private ownership of the means of production is resulting in disaster for many millions of people since it is simply throwing them onto the street. A. Toffler has his own version of the crisis in the United States and other developed capitalist countries: there are two types of crisis: "old" and "new". The United States is characterized by the latter, which is connected with the confrontation not of classes but of technologies. The way out is simple--global retraining of the work force.

\* FORTUNE, 23 July 1982, pp 60-62.

\*\* See A. Toffler, "The Third Wave," New York, 1980.

The adduced arguments of A. Toffler are highly abstract and speculative and are not based on an analysis of deep-lying socioeconomic processes. Absolutizing the new technological processes occurring in Japan, the United States and certain other countries, A. Toffler fails to see that the technological revolution of the 1980's is being accompanied in the capitalist countries by a structural crisis of the socioeconomic system and the increased sociopolitical polarization of society.

Under the conditions of acute social contradictions and the development of progressive trends of the mass consciousness monopoly capital is using "technological determinism" in its optimistic versions for the purpose of maintaining an upbeat mood and, as always, publicizing the "eternal nature" of capitalism.

#### The 'Microelectronic Revolution' and Present-Day Global Problems

Bourgeois optimism of the "technologically determinist" brand was reflected in a recent report of the Club of Rome--"The Microelectronic Revolution" (1982)--which notes that modern electronic technology is being introduced not so much under the influence of purely technical possibilities as under the pressure of factors predominantly of an economic and social nature.

In the authors' opinion, the main task of their reports is to underpin the idea of the development of the technological revolution with numerous and graphic examples. People are living "under the oppression of daily problems connected with the crisis of society" and are not in a position to project the technological and technical innovations known to them (sensory watches, video games and so forth) into the future. However, the time has come when an explanation of the essence of the technological revolution has become, the compilers of the document believe, vitally important. The report attempts on the basis of an analysis of the changes which are occurring in technological processes to express certain warnings to mankind with an indication of "ways toward a propitious outcome". The endeavor of the authors of the report to reveal the socioeconomic sources of the "microelectronic revolution" attracts the attention. However, they tackle the set task from the standpoints of "technological determinism," and technological factors are regarded as determining.

The report observes that the time has come for the former mechanical, electrical engineering and electronic technologies to be replaced by new ones--information and microelectronic technologies--in the phases of the production process in which data is processed and control of the functioning of equipment is exercised. A decisive leap forward may also be made in the automation of industrial installations. It will become a reality not only because the application of microprocessors makes it possible to unite the designing and manufacturing stages but also inasmuch as the complete automation of production, which was once viewed negatively owing to the rapid obsolescence of the units, is becoming economically profitable. An opportunity is now appearing for flexibly changing the functions of equipment. It is noted that administrative-managerial functions also may be automated no less radically.

The authors of the report believe that the complete and even partial automation of information exchange will in the future render the appearance of society unrecognizable. Control of production and data processing at the administrative-managerial level will be integrated in the enterprise's information system. And inasmuch as information is becoming the predominant factor of production, the former division of labor will disappear: there will be no distinction between productive and nonproductive labor. This reorganization of information flows and the advancement of information to the fore among other factors determining society's development are characterized as qualitatively new socioeconomic phenomena.

In the opinion of the authors of the report, no less profound changes could occur in social communications and interpersonal relationships. The fundamental transformation of the communications system will make any type of means and forms of communication technically practicable. These include electronic mail, facsimile messages, the feeding of accounts through a data system, which will make it possible to operate without cash, and so forth. The capacity for transmitting information simultaneously in two directions will do away with temporal and geographical remoteness, reduce the number of transfers from one place to another and create hitherto unprecedented possibilities of communication.

The picture that has been painted is reminiscent of A. Toffler's "third wave". True, in the first part, where it is a question of scientific-technical progress, the authors of the report reflect more correctly its directions and possibilities, but when it comes to a sociopolitical and economic forecast, they deprive it of scientific foundations. While noting the "two dangers" threatening the "cable" society: people's social isolation in the labor process (lack of direct contact between them) and "impediments of a socioeconomic nature" (loss of job, conflicts between people employed in production and the unemployed and others) bourgeois ideologists are incapable of revealing the nature of these phenomena and their essence and ways to surmount them. Individualization of the work force and the concentration of human activity around the "terminals of a giant information system" engender in the authors of the report concern that under such conditions the working people will find themselves increasingly lonely, "tied" to the job and isolated from their comrades, while "the mediator between them and reality will be the visual display."

Examining such socioeconomic problems as the scale of necessary capital investments, the times of the depreciation of existing equipment and the level of employment, the authors of the report do not in their analysis betray their theoretical-methodological positions--the principle of "technological determinism". It is their belief that the countries which are able to modernize the production apparatus and reorient themselves toward the new type of production based on microelectronics and accomplished communicative means before others will be the first to overcome the crisis. Therefore, the technologically and economically more developed will become stronger, while the weak will become relatively weaker.

These arguments testify that the authors of the report, despite their concern and disquiet at the social consequences of the new "twist" of the scientific-technical revolution, nonetheless link their hopes for social progress not with fundamental socioeconomic and political transformations of society but with the retooling of production. Of course, microelectronics and the robotization of production indeed signify a giant leap forward in the development of the production forces, but it is being accompanied by an exacerbation of socioeconomic, political and ideological contradictions and the further development of the socioeconomic and ideological-political crisis of capitalism.

"Creative cooperation in the common interests of the government, enterprises, trade unions and the scientific world" facilitating the "epoch-making" transition to the new society is proposed as the method of controlling the economy. In a word, the authors of the report propose the elaboration of the desired reality by wise statesmen and are far from a truly scientific solution of global problems. The report in question reflects the increase in the developed capitalist countries in business enterprise connected with capital's gamble on the technological revolution and the development of new sectors of production, including microelectronics. As a whole the Club of Rome report is of a "technologically determinist" nature. The "microelectronic revolution" is regarded as determining the solution of the problems troubling all mankind.

The "microelectronic revolution" is undoubtedly a characteristic feature of the new stage of development of the scientific-technical revolution. Qualitative changes in the production forces are occurring under its impact. But under the conditions of capitalism its development is contradictory and connected with the growth of most acute social contradictions (with the authors themselves note even!). Only a combination of the advantages of the socialist system and the achievements of the scientific-technical revolution, and the latest stage thereof, moreover, which presupposes a technological revolution in many spheres of production, will mean assimilation of all the possibilities of the new technology in the interests of mankind.

Currently a whole number of representatives of so-called new social movements also connect their sociological plans of social development with the technological revolution. Thus, for example, J. Huber, theorist of the Greens and alternative groups, writes in one of his books\* about the break with sympathizers who criticize economic growth and the development of technology and industry. His basic proposition is that there is no alternative to the existing industrial system. He categorically rejects the ideas expressed in the West concerning the possibility of a return to the "pre-industrial society" or adoption of the "zero growth" concept for a way out of the ecological crisis. He is also opposed to the viewpoint that environmental protection and the development of industry are mutually exclusive.

How, then, does J. Huber propose solving the serious raw material, energy and ecological problems? The industrial system, he believes, "has a chance to survive" if a process of superindustrialization, the first signs of which are

\* See J. Huber, "Die verlorene Unschuld der Oekologie," Frankfurt am Main, 1982, pp 12, 125.

already to hand, is undertaken. All economic and ecological tasks will allegedly be tackled with the aid of new "breakthrough technologies"-- primarily microelectronics, solar energy, wind power and biotechnics. He writes: "The industrial society will develop only if it adapts to ecological demands, and the ecology, existing under the conditions of the industrial society, will achieve its goals only in industrial forms. The ecology and industry will form an alliance--the alliance of the century."

J. Huber provides a graphic picture of the possibilities of this alliance. For example, he describes in detail how microelectronics may be applied in industry, in the services sphere, in transport and in space. Contemporary energy carriers will be replaced, he believes, by natural, renewable sources of energy (the sun, wind), and biotechnology methods will make it possible to convert such plants as, for example, seaweed and sugar cane into fuel and fodder. All this will contribute to the better adaptation to ecological demands.

While placing in the "microelectronic revolution" his hopes for the salvation of nature from pollution by industrial waste J. Huber is at the same time disturbed by the growth of unemployment and the increase in social instability, particularly in certain circles of bourgeois society. However, this realistic appraisal of his of the consequences of the automation and robotization of production in the developed capitalist countries is a kind of declaration. He provides an explanation of class conflicts from the standpoints of the bourgeois ideologist who is far from an understanding of the true essence of the phenomena being analyzed. He pushes into the background the fundamental changes occurring in the structure of the working class under the impact of the "microelectronic revolution" and class contrasts by way of professional and other differences and employment at a given time in production or membership of the army of unemployed. He shifts the class struggle to the sphere of conflicts within the people's masses themselves, circumventing in every possible way the irreconcilable contradiction between labor and capital.

#### Technocratic 'Democratism'

Bourgeois theorists, managers, social psychologists and empirical sociologists are once again displaying an interest in the "post-industrial society," the basis of which will be a more democratic system of production control. Measures for the formation of "new relations in industry" and "re-industrialization" with the use of the theoretical concepts of so-called technocratic "democratism" are being proposed.

As a rule, the authors of these concepts believe that under the conditions of the qualitatively new stage of the development of technology the class struggle will cease to exist. It will be replaced by knowledge and technology embodied in the technical and organizational spheres, thanks to which the technocracy will cease to be a stratum distinguished by a certain way of life and will become a class occupying the predominant position in society and the machinery of state.



It is well known that in the period of the crisis which erupted in the 1970's-1980's monopoly capital gambled on the science-intensive sectors, which required of manpower considerable retraining, which contributed to the rise in its cultural level and the demands on forms of organization and management. In the past 10 years a nationwide discussion has been conducted in the United States on questions of labor productivity. The participants in the discussion have concluded that in the organization of production it is essential to also take into consideration such a factor as each worker's increased sense of responsibility for the results of work. This has brought about a certain restructuring of organizational-managerial relations, which has begun at all levels of production.

(R. Khekert), vice president of the American transnational corporation Dupont de Nemours, observed in his speech to students and lecturers of Harvard University in March 1982 that training people and affording them an opportunity to display their capabilities is the key to success in the organization of production.\* In his opinion, there are a number of conditions of successful production control. He highlights among them the following. Finding people of strong character and training them to be competent leaders capable of tackling complex tasks. Releasing them from unnecessary tutelage and restrictions in a given area of work to obtain greater results. Granting the organizations and sectors managed by these people greater independence, on condition that these managers correspond to the appropriate requirements.

Modern production, (R. Khekert) believes, raises the question of a new "corporative federalism": the more complex the enterprise, the more it is necessary to have small subdivisions availing themselves of "the resources of bigger institutions," but preserving maneuverability. (R. Khekert) observes that in the course of the last decade affiliates and agencies of the Dupont de Nemours firm studied the possibilities of forming such small units, each of which would not only exercise complete control over production and the marketing system but could take advantage of the resources of the corporation as a whole. It is emphasized here that such organization of production would enable managers at all levels to display creative capabilities and freedom in the solution of operational questions. It is precisely private ownership, he observes, which leads to political freedom and contributes to efficient management.

Such pronouncements from a definite philosophy of life and are reflected in the new versions of "manager" theories of (D. Bernkhem) and (A. Berli), (G. Skott) and P. Draker), J.K. Galbraith and others. The "re-industrialization" and "new relations in industry" concepts are acquiring renewed status: they are oriented toward the future via a reorganization of the present. This particular feature was noted by the organ of U.S. business circles, BUSINESS WEEK, which in 1981 prepared a special issue devoted to the formation of the "new relations in American industry".\*\*

\* See VITAL SPEECHES, 1 May 1982, pp 128, 430-433.

\*\* See BUSINESS WEEK, 11 May 1981.



An analysis of the published material testifies that in the case it is a question not simply of the organization of industrial production at the capitalist enterprise but of the development of a kind of concept of a social ideal of conflict-free relations in industry and in society as a whole. In accordance with this concept, new production relations may be created given the combination of two approaches: the development of the technology and techniques of production and the creation of the conditions for the worker to find satisfaction in the work process.

Many sociologists believe that such production relations are already taking shape in the United States and that they are the future. They will help do away with "the hostility between the administration of the enterprises and the workers." In the current system, the supporters of this concept note, there are still many elements engendered by past years of the development of American society: manpower turnover, the division of physical labor into a multitude of small-scale operations and the fact that foremen and shop chiefs are endowed with disciplinary authority. The belief exists that there is a profound gulf separating those who work and those who manage.

The "new relations" are a kind of "social cooperation" which is characterized by "far-reaching changes in the methods of managing people." Its distinguishing features are participation from top to bottom in decision-making, a change in value reference points, the entire production ethic and the social personality itself and the development of cooperation between worker and boss expressed in radical changes in the style of management of the enterprise, in which some "participation" will come to replace the traditional hierarchical form. Undoubtedly, the "new relations in industry" and "re-industrialization" concepts modify J.K. Galbraith's "new industrial society" theory. "Social cooperation"--this new form of class "unity" represents a kind of variant of Galbraith's "technostructure". J.K. Galbraith proposes the combination of the introduction of the latest technology with certain organizational and economic stimuli operating under the conditions private ownership of the means of production. The "new relations in industry" concept develops this idea and recommends plans for the use of the latest equipment under the conditions of a reorganization of production ethics and management directly at the enterprise. The differences between the said concepts are immaterial: they concern incentives to an improvement in capitalist production and management.

As in the previous "technocratic theories," the "new industrial relations" concept does not propose revolutionary transformations aimed at changing the place of the working class in the system of capitalist production relations but recommends merely some reforms bringing the working people closer to capitalist management. The purposes of such concepts are obvious: to guarantee the uninterrupted functioning of the production process in the interests of monopoly capital, remove the seriousness of the manifestation of social antagonisms, disguise the true nature of industrial corporations and ultimately obtain the maximum profits thanks to an expansion of social control of the activity of literally each person. Furthermore, "social cooperation" was needed by bourgeois ideologists to conceal the true essence of "corporate power".

The attempt to "democratize" the old technocratic theories represents an ideological reaction to the growth of the mass sociopolitical protest against capital's offensive against democratic rights and liberties and the desires of conservative governments to preserve the existing practices.

#### In the Search for a 'Uniform Integration' Theory

It has to be noted that the "undulating" development of bourgeois sociology is pointed to constantly by bourgeois sociologists themselves, who in recent years have been calling increasingly persistently for the creation of a "uniform all-embracing integration" social theory capable not only of explaining social development but also foreseeing the most diverse social phenomena. Thus examining the state of sociological theory in the capitalist and socialist countries, U. Himmelstrand draws the conclusion of the need for the "mutual enrichment" of historical materialism and modern bourgeois sociological theories such as structural-functional analysis and such.\* The Swedish sociologist is attracted, he says, in Marxist theory by the "capacity for foresight," "class perspective" and "understanding of the growing structural contradictions in society" based on "an extraordinarily interesting and fruitful premise: if in the period of its emergence and at the first stage of development of certain mode of production has a tendency to adequately reflect this development, this mode of production is gradually transformed into 'fetters' for the development of new production forces...." \*\* Having drawn attention to the determining role of this contradiction, U. Himmelstrand ignores its socioeconomic essence and perceives it through "technologically determinist" "spectacles". For him the said contradiction is not the economic basis of social revolutions, as Marxism and man's historical practice has shown, but a "method of expanding the limits of decision-making" and "a variety of the diagnosis of the structural contradictions of modern capitalism," which should be detailed and taken into consideration by managers and administrators attempting to understand how the system works.

Social processes are so complex that it is impossible for technological determination alone to explain their essence and trend of development. Manpower is "combined" with the means of production not only technologically but primarily economically, via the form of ownership of the means of production, which determines the structure of people's production-economic relations and the progress of society's production forces, affording scope for their advancement or, on the other hand, becoming an impediment. People's production-economic relations determine the development of all other social relations and for a certain interval of time "correspond" to the given level of the production forces and the technological mode of production. However, for the progress of the production forces, which are being perfected constantly (but production relations are more conservative and stable), there comes a time when the production relations become its fetters. Then the era of social revolution comes and there is a change in the modes of production of material

\* See INTERNATIONAL SOCIAL SCIENCE JOURNAL No 3, 1982, p 511, 512.

\*\* Ibid., p 512.

benefits representing the unity of the production forces and production relations. The technological revolution, like the transition from one technological mode of production to another, is determined not only by socioeconomic factors but also by the immanent laws of the development of the technological mode of production, primarily the manifestation of qualitatively new technology bringing about a qualitatively new combination of manpower with the means of production.

U. Himmelstrand urges an "integrative all-embracing" concept of reality which would provide both scholars and practical workers with a realistic structure for research, observation and practice. He writes: "Such a structure cannot be created by the representatives of any one social discipline or, of course, just by economists. The interdisciplinary cooperation of sociologists, economists, political scientists and historians is needed. I nonetheless believe that only sociology, including structural functionalism, symbolic interactionism and historical materialism, possesses sufficient dimensions and capacity for providing the necessary integrating concept."\*

D. Bell also dreams of the creation of an "integration science," observing that if people have been capable of converting the  $E=MC^2$  formula into a nuclear bomb and putting a man on the Moon, they should give their children a better education, engineer for themselves a pleasanter environment and use increased labor productivity to bring poverty under control or create an "artificial intelligence" which would expand man's capabilities to the extent that machines have increased his physical possibilities. It is thus that he responds in his essay to the question put to him by the editors of the publication "Great Ideas Today" (it appears in the "Encyclopedia Britannica").\*\* The American sociologist consoles himself with the hope that bourgeois social knowledge will create some systemic theory capable of predicting the solution of economic, social, technological and other social problems.

He examines several approaches leading, he believes, to the accomplishment of this task. The first is the creation of an all-embracing theory based on a codification of games theories and the theory of decision-making (from the first work of G. von Neumann and O. Morgenstern "Games Theory and Economic Behavior" [1944], then the book of (D. L'yus) and (G. Rayf) "Games and Decisions" [1958], extending them to the spheres of microeconomics and administrative behavior, international strategy and others). It should be mentioned that D. Bell himself assigns these theories a leading place in his "de-ideologization" and "post-industrial society" concepts. The second is growing attention to semiotics as the common denominator personifying interest in a system of signs, symbols and values. However, D. Bell observes that semiotics cannot be such an integration science for it lacks "the uniform focal point inherent in structuralism." The third: the sphere of political science is vast, but it lacks synthetic breadth upon analysis. The fourth: Marxism and "neo-Marxism" pretend to such a theory, but they contain "besides elements of scientific knowledge, scholasticism."

\* INTERNATIONAL SOCIAL SCIENCE JOURNAL No 3, 1982, p 515.

\*\* See D. Bell, "Social Science Since the Second World War," London, 1982.

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## BOOK ON CEMA ECONOMIC INTEGRATION REVIEWED

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Feb 85 (signed to press 16 Jan 85) pp 126-127

[K. Mikul'skiy review: "Prospects of Economic Interaction"]

[Text] The top-level CEMA economic conference (June 1984) confirmed with all certainty the soundness of the policy of the development of socialist economic integration and outlined measures for a further expansion of the scale and an increase in the efficiency of the fraternal countries' cooperation. A paramount place is assigned the extension of production specialization and cooperation. It is obvious that the developed system of international production specialization and cooperation, which is oriented toward the criteria of economic efficiency and sociopolitical rationality in the light of the principles of socialist internationalism, is becoming the most important--after the social uniformity of the national economies--characteristic of the world socialist economy.

The book in question\* is devoted to topical problems of the formation of such a system of production specialization and cooperation. The scale of the CEMA countries' industrial potential, the natural directions of its development, the purposes and forms of international production specialization and cooperation and their current level, the mechanism of implementation and unused potential are examined. A big place is assigned questions of the sectorial coordination of economic and scientific-technical policy, organization of the control of specialization and cooperation processes and direct relations between ministries, associations and enterprises of the cooperating countries. The book concludes with an analysis of the prospects in this sphere.

The authors adduce a wealth of factual material characterizing various aspects of the development of the international socialist division of labor. The examples, generalizations and conclusions contained in the work enable us to extend our scientific ideas concerning the totality of its fundamental

\* N.V. Borokh, V.S. Glagolev, "Strategicheskoye napravleniye sotrudnichestva. Mezhdunarodnaya spetsializatsiya i kooperirovaniye proizvodstva stran-chlenov SEV" [Strategic Direction of Cooperation. The International Production Specialization and Cooperation of the CEMA Countries], Moscow, Izdatel'stvo "Mezhdunarodnyye otnosheniya," 1984, p 168.

features. To these pertain, we believe, primarily the combination of the comprehensive development of the national economies with rational international production specialization and cooperation; intrasectorial and intersectorial specialization (with the growing predominance of the first); the increase in the role of in-depth forms of specialization (component, production-engineering) and the corresponding cooperation of production; and the increased orientation toward the criteria of economic efficiency and the acceleration of scientific-technical progress with regard for social requirements. Special emphasis should also be put on the increase in the role of the international socialist division of labor in the direct satisfaction of the requirements of the population and the promotion of the gradual rapprochement and equalization of the levels of economic development of the socialist states.

The book shows the process of the increasingly full realization of these features in the practice of the fraternal countries' cooperation. At the same time it is noted that the specialization and cooperation mechanism has not yet been finely tuned to the proper extent and does not as yet permit the full use of the advantages of the in-depth interaction of the national economies. In particular, the authors emphasize the need for the better technical-economic substantiation of variants of specialization. The latter is still effected separately by each country only on the basis of national criteria of profitability and not on the basis of joint analytical work. For this reason subsequent "stages of the completion of the said variants are very prolonged and multilevel and subject to constant changes" (p 38). We would add that the variants are examined more often on a bilateral basis, although it would be possible to find the most rational variants given an expansion of the circle of countries participating in their selection. There is also correct mention of the fact that many specialization agreements record the distribution of production programs among CEMA countries which has already taken shape in practice and, consequently, do not entail to the proper extent an expansion of the sphere of specialization and an increase in its efficiency. This area of the analysis of the problems of international specialization, which serves to ascertain possibilities and ways of increasing the fraternal countries' interaction in the sphere of the economy, corresponds to the tasks which ensure from the conclusion concerning significant available potential for an expansion of mutual cooperation contained in the declaration of the top-level CEMA economic conference.

Particularly important in this connection is the search for possible forms of an increase in the efficiency of the concerted use of the fraternal states' industrial and scientific-technical potentials. In our view, great significance is attached to the proposal concerning transition to a competitive system of the selection of the enterprise for participating in production specialization and cooperation. "Whoever manufactures the best product," we read in the work, "with the minimum costs and possesses for this the industrial and scientific-technical potential enabling it to maintain its high technical level and provide for proper servicing and modernization should be specialized, as a rule" (p 111). While supporting this thought, we would emphasize that such a practice would not mean a predominant position for the economically more developed countries to the detriment of the less developed. The point being that in the group of European CEMA members (including the USSR) the former essential differences in level of economic development have already been overcome, and each country has the prerequisites

for achieving high production efficiency in the types of product selected in the course of specialization. Further specialization and cooperation will broaden the opportunities for the better use of resources and reveal appreciable additional opportunities for an increase in production efficiency, and it is perfectly natural that a country's national interests and its international duty require the full assimilation of this potential. Finally, if necessary, the socialist states will render one another initial assistance in improving the facilities undergoing specialization (with International Investment Bank credit included), which also presupposes a rise in their technical-economic level.

A major reserve of an increase in this efficiency is the strengthening of the ties between the production specialization and cooperation and the scientific-technical cooperation of the CEMA countries. The monograph justifiably raises the question of the need to strengthen the scientific-technical support of the socialist international division of labor and provide for an improvement in specialized products, modernization of the standards system and so forth.

The advantages of the international specialization and cooperation of production under socialism are largely connected with the possibility of the plan-oriented development of production and exchange on the scale of the whole community. The basis of ensuring such development is the coordination of the fraternal countries' economic policy both in terms of a number of national economic parameters and sectorially. The CEMA economic conference outlined a new step forward in the business of an extension thereof.

The analysis contained in the book under review of questions of an improvement in sectorial coordination of economic and scientific-technical policy is of interest in the light of these goals. Proceeding from the community of opinion which has been achieved in the CEMA bodies that multilateral coordination is designed to be the basis of an extension of international specialization and cooperation, the authors advance proposals for the further development of work in this sphere. They expound a general outline of the multilateral coordination of the development of sectors which records, together with general principles, tasks of the ascertainment of countries' interest therein, its content and procedure of implementation (pp 43-47). In our view, the proposed outline could contribute to the expansion and increased efficiency of activity in this sphere.

The results of the sectorial coordination of CEMA's economic and scientific-technical policy are being realized in its production cooperation. The need for its improvement led the fraternal countries to the conclusion of the expediency of the development of direct relations between ministries, associations and enterprises when implementing production cooperation. The monograph examines the practice in this sphere which has already evolved. It is noted that the opportunities which exist here are as yet being used insufficiently, although they could have an important role in increasing production efficiency, particularly by way of the mobilization by the sides' joint efforts of intrinsic production potential, the reconstruction and modernization of enterprises, the exchange of production experience and the development of international socialist competition. The authors express a



number of proposals concerning the stimulation of this form of cooperation which it would be useful to take into consideration in the process of fulfillment of the aims of the CEMA economic conference for the extensive use of direct relations between associations, enterprises and organizations of the fraternal countries.

The book in question will attract the attention of a broad range of readers. Illustrating topical problems of the socialist international division of labor and ways of its further improvement, it enriches the scientific developments in this subject and contributes to a rise in the level of knowledge of lecturers and propagandists.

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